Annual Report 1988

Public Utilities Board
Alberta

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Public Utilities Board
Alberta

Alberta
11th Floor
10055 - 106 Street
Edmonton, Alberta T5J 2Y2

March 29, 1989

The Honourable Donald Getty
President of the Executive
Council of Alberta
Legislature Building
Edmonton, Alberta

1988 ANNUAL REPORT

Dear Sir:

We have the honour to submit herewith the Annual Report of the Public Utilities Board for the year 1988.

In addition to providing the information which is required by statute, this Report provides a brief description of the Board and its responsibilities and highlights significant activities and developments which occurred during 1988.

Yours respectfully,

A. O. Ackroyd - Chairman

A. Jah - Member

N. W. MacDonald - Member

A. Calista Barfett - Member

R. D. S. Ward - Member

T. Donald Hetherington - Member

J. R. Dunstan - Member

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MESSAGE FROM THE CHAIRMAN

Over the past four years the Board has worked toward the achievement of certain long-range goals and objectives. We are pleased to report that a number of these were accomplished in 1988, as detailed in this report.

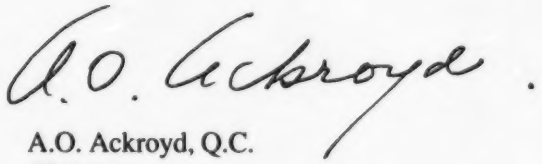
In 1984, the Board commissioned a study of its regulatory procedures by a recognized consultant. One of the objectives flowing from this report was the recognition of the need to accelerate the hearing process. A number of initiatives have been taken in this direction, including the heightened use of the pre-hearing conference to identify issues and co-ordinate submissions by intervenors, and the increased involvement of staff in the hearing process, in proceedings such as the Electric Energy Marketing Agency Adjustment hearings.

Another aim of the Board has been the thorough review of its practices and procedures. Public hearings were held in September of 1988 to examine the Board's rules of practice, its policy respecting cost awards, the use of plain language in Board proceedings and decisions, and the hearing process itself. Many thought provoking submissions were received from various parties, which will greatly assist the Board in its formulation of new procedural guidelines. The Board expects to publish its procedural review report in 1989.

The Board is also working towards increasing public understanding of its function and role. One of the steps taken in 1988 to improve our communications with Albertans was the widespread distribution of a series of brochures explaining the ratemaking process, how to make a complaint and how to intervene in Board hearings. The Board has also launched an exciting new pilot project with the Edmonton Public School Board to include sessions on utility ratemaking in their Career and Life Management program. To further increase the Board's public profile, a greater number of Board hearings were held outside the Board's offices in various communities across the province. In 1988, hearings were held in numerous locations, including the municipalities of Peace River, Slave Lake, Bonnyville, Hinton, Manyberries and Coutts.

In addition to these long-range goals, the Board was also faced with a heavy rate application workload in 1988. Major public hearings were held in the latter part of the year for Alberta Government Telephones, Northwestern Utilities Limited, Bonnyville Gas Company Limited, and for the electric utilities pursuant to the Electric Energy Marketing Act. 1989 also promises to be an interesting year, with rate hearings already planned for Alberta Government Telephones and TransAlta Utilities Corporation.

I would like to close by thanking the staff for their hard work throughout the year, which contributed to the Board's success. I feel confident that the Board is well prepared for the challenges of the upcoming year.



A.O. Ackroyd, Q.C.
Chairman

MANDATE OF THE BOARD

The Public Utilities Board was created by the Alberta Legislature in 1915. The basic purpose of the Board is to protect the public interest by fixing just and reasonable rates for utility services. The need for regulation arises because utilities generally provide necessary services on a monopoly basis. In light of the large investment in plant required to provide utility service, it is not economically viable for more than one utility company to supply service within a given franchise area. This absence of competition between utility companies resulted in the establishment of an independent tribunal to ensure that utility rates are set at a level that is fair to both the customers and the investors in the utility. The main function of the Board is to balance the interests of the consuming public and the utility companies. It must permit the utility the opportunity to earn sufficient revenues through customer rates to recover its costs of providing the service, which include a fair return on its investment in utility property and plant, while ensuring that these rates are just and reasonable and the quality of service is safe and adequate.

It must be noted that there are different degrees of regulation. The Board has the jurisdiction to establish rates and terms and conditions of service for all public and gas utilities, as defined in the statutes. However, the Board has only limited jurisdiction respecting municipally-owned utilities and natural gas co-operatives. The Board's authority is limited to hearing certain specific consumer complaints with respect to the rates set by these non investor-owned utilities.

The Board derives its authority primarily from the Public Utilities Board Act and the Gas Utilities Act. These statutes provide the Board with explicit directions as to how it may set rates for those utilities under its full jurisdiction. Firstly, the Board is required to set a rate base for the utility. This involves a determination of the amount of money net of depreciation the utility company has invested over the years in its facilities which are required to provide service to the public within Alberta. The Board must then establish a fair return on this rate base, which is essentially equivalent to the annual cost of the capital invested in that rate base. The utility company's reasonable operating expenses as approved by the Board are added together with the fair return to establish the utility's revenue requirement. This represents the amount of money the company will need to have an opportunity to collect from utility sales in order to pay expenses and earn its fair return. Finally, the Board must determine how the revenue requirement should be allocated among the different types or classes of customers – residential, commercial and industrial. While the statutes do not provide the Board with much guidance respecting rate design, they do specify that these rates may not be unjustly discriminatory or unduly preferential. As part of the general rate application process, the Board also reviews the utility's terms and conditions of service, to ensure that these are just and reasonable.

This form of rate base - rate of return regulation has been used almost universally by regulatory tribunals in Canada and the United States for over fifty years. In recent years some critics in the regulatory field have argued that it is inflexible, and offers no incentive for utilities to increase productivity. Some jurisdictions have experimented with refinements and alternatives, such as social contracts, price caps and incentive regulation. None are without their faults, and may require regulators to fall back on conventional regulation from time to time. The legislation in place in Alberta would not allow the Board to adopt some of the alternatives.

While the Board's primary function is to set rates for investor-owned public and gas utilities, the Board performs a variety of other functions pursuant to more than thirty Alberta statutes. These responsibilities are outlined later in this Report.

A panel of the Board at a public hearing

ORGANIZATION OF THE BOARD

The Public Utilities Board is an administrative tribunal with quasi-judicial powers. In dealing with the matters which the Legislature has assigned to it, the Board has been granted the same status as the Alberta Court of Queen's Bench.

While the Board has been granted the authority to establish its own procedures, there are certain restrictions on its conduct. For example, the Board is subject to the Administrative Procedures Act, which requires, among other things, that the Board give adequate notice to all affected parties; that all parties who may be adversely affected by an application before the Board be afforded an opportunity to furnish relevant evidence and to present argument; and that the Board give written reasons for its decisions.

The decisions of the Board may also be reviewed or appealed. Pursuant to Section 62 of the Public Utilities Board Act, an application for leave to appeal a decision or order of the Board may be made to the Alberta Court of Appeal, and subsequently to the Supreme Court of Canada, on questions of jurisdiction or law, but not on findings of fact. The Board's decisions and orders are not subject to review by Cabinet.

In respect of its quasi-judicial duties the Board derives its mandate from numerous statutes, and from Orders in Council issued pursuant to the statutes. It is not subject to direction by individual Cabinet members or members of the Legislative Assembly except through such legislation.

Appointments to the Board

The Lieutenant Governor in Council appoints the members of the Board and fixes their term of office. One member is appointed as Chairman of the Board and there is also provision for the appointment of a Vice Chairman. The members of the Board hold full time positions. At year end, there were seven members of the Board.

If additional members are required on a part time basis, the Chairman may name acting members, to act for any period of time or on any matter, from a list of potential acting members nominated by the Lieutenant Governor in Council. No acting members were required in 1988. At year end, the following three persons were available to be named by the Chairman:

K. J. Boyd
B. O. Archibald
J. Eugene Sekora

THE FULL TIME MEMBE

Ammon O. Ackroyd, Q.C., was appointed Chairman of the Board on March 1, 1984. He holds Bachelor of Education, Master of Education and Bachelor of Law degrees from the University of Alberta, and has been a teacher and a part time lecturer at the University of Alberta. Prior to his appointment to the Board, he was the senior partner of the law firm of Ackroyd, Bradley & Associates.

Anwar Jah was appointed a member of the Board on May 1, 1977. He has a Bachelor of Arts degree in Economics from the University of Karachi, has passed his British Institute of Bankers examination, and is qualified as a Certified Management Accountant. Prior to his appointment to the Board, he was the Director of Rebates under the Alberta Natural Gas Rebates Plan.

A. Calista Barfett was appointed to the Board on September 15, 1982. She has taken numerous certificate courses at the University of Alberta, including Public Administration, Administrative Law and Accounting. Her background is in public administration, management and finance, having served in these capacities with both the Government of Alberta and municipal institutions. While involved in municipal government, she was responsible for the municipal utilities, including natural gas utilities which appeared before the Board.

T. Donald Hetherington, Q.C., was appointed to the Board on November 1, 1982. He received his Bachelor of Science and Bachelor of Law degrees from the University of Alberta. Prior to his appointment to the Board, he engaged in the general practice of law with the firm of Ghitter & Company in Calgary.

RS AND THE SECRETARY

Neil W. MacDonald was appointed a member of the Board on December 5, 1984. He holds a Bachelor of Science degree in Electrical Engineering from the University of Alberta. He has worked for a telecommunications utility in the areas of engineering design, inventory and valuation, division of revenue, depreciation and costs, and prior to his appointment to the Board was involved in the regulation of utilities as the Board's Technical Services Director.

Robert D.S. Ward was appointed to the Board on April 15, 1987. He is a retired member of the R.C.M.P., and prior to joining the Board he was a businessman, commercial air pilot, a business consultant to the oil industry, and Chairman of Alberta Terminals Ltd. He also has been a member of other boards and agencies, including the Liquor Control Board of the N.W.T., the N.W.T. Highway Transport Board and the Alberta Surface Rights Board.

James R. Dunstan was appointed to the Board on June 1, 1987. Before joining the Board, he served as Chairman of the Alberta Electric Energy Marketing Agency from 1984 to 1987. He is a past President of the Lethbridge Chamber of Commerce and was Treasurer of the Alberta Chamber of Commerce. He has also been actively involved in community work, and was an alderman with the City of Lethbridge for two terms.

William Paterson was appointed Secretary and Executive Director in July, 1985. He is a Chartered Accountant having obtained his designation in Scotland in 1972 and in Canada in 1975. He joined the staff of the Board in 1977 and held a number of regulatory and management positions with the Board before his current appointment.

ORGANIZATION OF THE BOARD

The Board's Offices

The Board's Offices are located in:

Edmonton	Calgary
11th Floor	10th Floor
10055-106 Street	Energy Resources Building
Edmonton, Alberta	540-5th Avenue S.W.
T5J 2Y2	Calgary, Alberta
	T2P 0M6
Phone: (403) 427-4901	Phone: (403) 297-6306
Fax: (403) 427-6970	Fax: (403) 297-6104

The Board's Finances

With respect to budgetary and administrative matters, the Board reports to the Lieutenant Governor in Council through the Attorney General and currently obtains all its revenues from the General Revenue Fund. For this purpose, the Board operates on a fiscal year beginning on April 1 and ending on March 31 and submits an annual budget for approval by the Alberta Legislature. It is difficult for the Board to precisely forecast its supplies and services expenditures in any given year, as these are directly related to the number, type, length and complexity of the public hearings which the Board must convene. However, as of December 31, 1988, the Board was within its total budget and did not expect any overrun at fiscal year end, as shown by the table following this section.

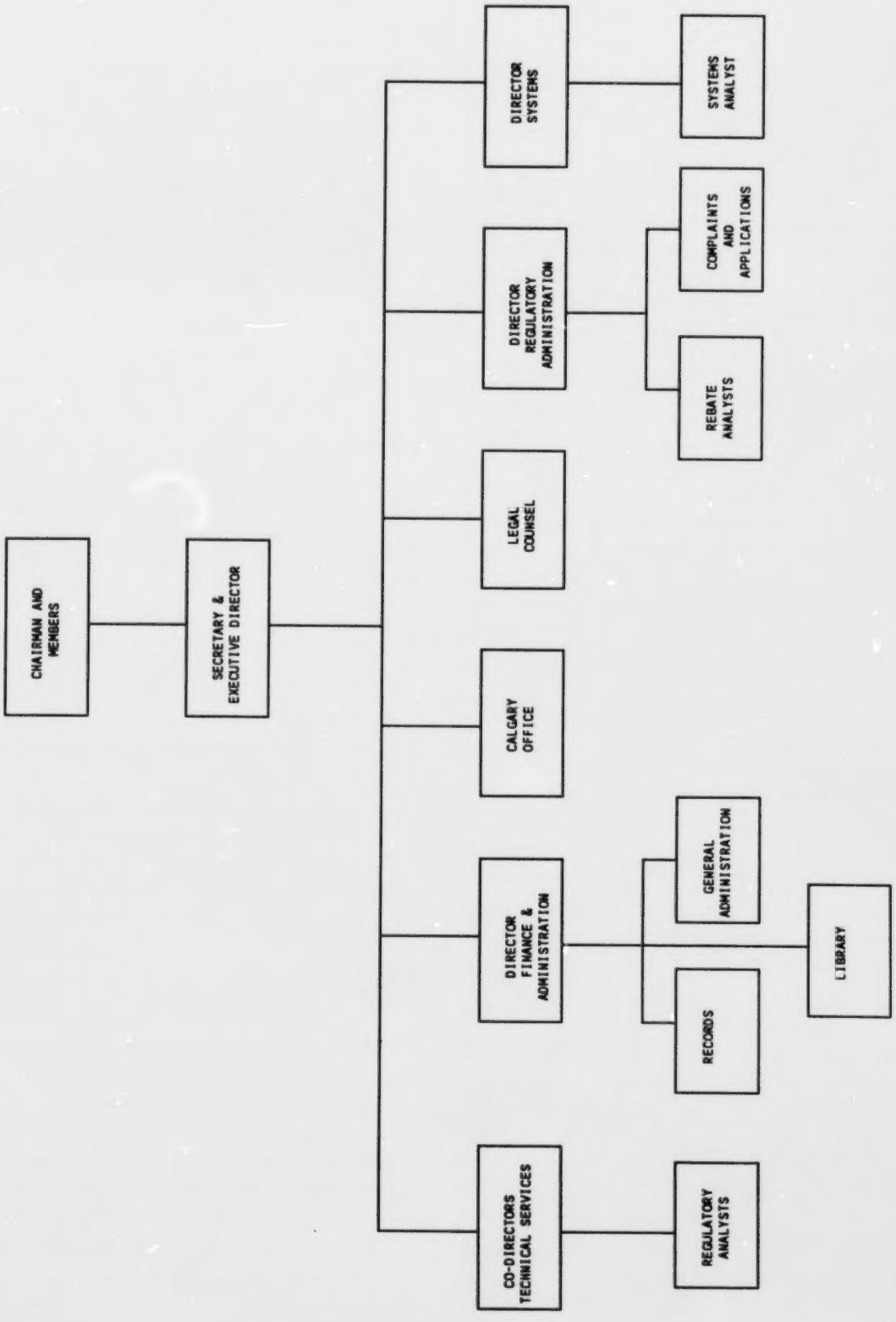
The Staff

At year end the Board had 51 authorized permanent staff positions. Reporting to the Secretary and Executive Director, the staff is organized into six main functional groups, as shown on the following organizational chart. The Technical Services Division is responsible for the provision of technical support to the Board in the fields of accounting, engineering, and economics. The Regulatory Administration Division responds to public inquiries and complaints, and deals with applications of a non-technical nature. The Finance and Administration Division is responsible for internal financial matters, personnel and records. The operation of the Board's electronic data processing facilities is the responsibility of the Systems Division. The Board also maintains a small secretarial and administrative section in Calgary. In addition, the Board has an in-house legal counsel.

Expenditure Control Group	1987/88 Budget	1987/88 Expenditures (Actual)	1988/89 Budget	1988/89* Expenditures (Forecast)
1. Manpower	$2,342,400	$2,217,261	$2,288,180	$2,271,180
2. Supplies & Services	446,080	362,039	273,820	273,820
3. Fixed Assets	112,000	111,045	229,000	229,000
TOTAL	$2,900,480	$2,690,345	$2,791,000	$2,774,000

* These amounts reflect actual expenditures for the period April 1, 1988 to December 31, 1988 plus estimated expenditures for the period January 1, 1989 to March 31, 1989.

ORGANIZATION OF THE BOARD



PUBLIC PARTICIPATION

Public involvement is crucial to the effective operation of the regulatory process. The Board welcomes all constructive input respecting utility rates and terms and conditions of service.

In general rate applications, the Board benefits from interventions by different groups or members of the public which assist it in testing the applicant's case. To ensure the fullest possible public participation, the Board directs the applicant to publish notice of the proceedings in newspapers throughout the utility's service area, and to serve the notice on municipalities, public interest groups or other parties whom the Board knows are concerned.

Members of the Board's staff are assigned to each application before the Board, and the staff are available to answer any questions from the public or to assist parties with organizing their interventions. In addition, the Board has published brochures entitled "The Ratemaking Process" and "How to Intervene" to outline the relevant procedures to interested parties. These brochures are available free of charge from the Board's offices.

To further facilitate public participation, the Board may order that the applicant pay the intervenors' expenses. Section 60 of the Public Utilities Board Act provides the Board with discretionary authority to order that the costs incurred in connection with a rate application should be paid for by the utility and recovered through customer rates. This practice serves to encourage public interventions in the absence of other forms of public input, such as a consumer advocate. However, the Act does not allow the Board to provide advance funding for any party considering intervention.

Before exercising its discretion to award costs, the Board considers a number of questions, such as the effectiveness of the intervention, its relevancy to the issues, and whether the costs of the intervention were necessary and reasonable. Those who have a common interest in the proceedings are encouraged to coordinate their presentations so as to avoid duplication of effort and thereby minimize costs. Applications for costs are considered after the completion of the hearing process.

In 1988, the Board granted costs awards in connection with many rate applications. Interventions were lodged by a variety of parties, including municipalities, institutional groups, consumer associations, and individual customers. While cost orders respecting certain 1988 proceedings were pending at year end, the Board in 1988 awarded intervenors' costs of just under $1,000,000. In addition the Board awarded applicant external costs in excess of $400,000.

Public Inquiries and Complaints

Public input is an important element in the Board's decision-making process. However, public participation is not limited to formal rate proceedings. The Board welcomes inquiries and complaints from the public respecting any aspect of utility service. A brochure entitled "Making a Complaint" is available from the Board's offices to assist in this process.

PUBLIC PARTICIPATION

In 1988, Board staff received a total of 163 complaints by telephone and 67 written complaints, as well as a large number of general inquiries. The Board makes every effort to respond to inquiries and complaints in a prompt and informative manner. Telephone complaints may sometimes be resolved by the provision of information respecting utility rates or terms and conditions of service. In other cases, the complainant may be referred to the utility company in question for further information. If the matter cannot be resolved by these means, the customer will be asked to submit a written complaint. Written complaints are usually investigated with the utility company, and occasionally a public hearing may be required to resolve the dispute.

Public hearings were held in 1988 respecting several written complaints submitted to the Board. These dealt with such topics as mandatory utility service and minimum monthly charges. Details respecting the formal written complaints which required consideration by members of the Board through the public hearing process are contained in Appendix 1 and are not included in the statistics in this section.

Of the 67 non-registered written complaints dealt with by the Board, 24 dealt with billing disputes, 12 with the manner of refunds and 7 concerned security deposits. Billing disputes accounted for the most telephone complaints, with refund methods, rate increases, security deposits and late payment penalties being other frequent areas of concern. All of the telephone complaints were resolved, while 11 of the written complaints remained under investigation at year end.

The following table contains a breakdown of the complaints received by the Board in 1988.

Type of Utility	Nature of Complaint	Written	Telephone
Telephone	Billing Disputes	5	6
	Security Deposits	1	–
	Rate Increases	1	6
	Service Problems	1	1
	Refund Method	5	23
	Installation Charges	–	1
	Miscellaneous	5	10
Electric	Billing Disputes	4	18
	Security Deposits	–	1
	Rate Increases	–	2
	Service Problems	4	8
	Installation Charges	1	4
	Miscellaneous	4	10
Natural Gas	Billing Disputes	4	19
	Security Deposits	4	7
	Rate Increases	–	1
	Service Problems	1	5
	Refund Method	7	1
	Installation Charges	–	1
	Late Payment Penalty	3	5
	Miscellaneous	1	7
Other (Gas Co-ops, Municipalities, Milk, etc.)	Billing Disputes	11	11
	Security Deposits	2	3
	Rate Increases	1	4
	Late Payment Penalty	–	3
	Miscellaneous	2	6
TOTAL COMPLAINTS		67	163

PUBLIC UTILITY REGULATION

1. Telecommunications Utilities

There are two telecommunications utilities within Alberta: city owned 'edmonton telephones' which serves the City of Edmonton, and Alberta Government Telephones (AGT), an Alberta Crown Corporation, which serves the remainder of the province. Only AGT is subject to the jurisdiction of the Board.

A number of noteworthy decisions were issued respecting AGT in 1988. On February 19, 1988 the Board issued Decision E88004 respecting AGT's Phase I application for the 1986 and 1987 test years. In this decision, the Board determined that AGT had revenues in excess of revenue requirement of $27,541,000 for 1986 and $41,482,000 for 1987. Consequently, AGT was directed to file new rate schedules and a proposed credit rider to refund these revenue surpluses.

In Interim Order E88057 dated July 14, 1988, the Board approved new interim rates for AGT, effective August 1, 1988, as well as an interim refund to customers according to a formula proposed by AGT. Customers received the benefit of these refunds on their September, 1988 billing statements. The Board's Phase II Decision E88089 dated December 23, 1988 approved final rates for the test year 1987.

On November 14, 1988 the City of Calgary applied to the Board for a review of AGT's rates, tolls and charges for the 1988 test year. Calgary was required to provide reasons as to why its application should be accepted by the Board at a public hearing held on December 12, 1988. By Board Order E88102 dated December 21, 1988 this application was approved. AGT was ordered to file with the Board by June 1, 1989, complete data and information to enable the Board to set just and reasonable rates, tolls and charges for the 1988, 1989 and 1990 test years.

For further details respecting telecommunications applications, please see Section 1 of Appendix 1.

2. Electric Utilities

There are two major investor-owned electric utilities under the full jurisdiction of the Board. TransAlta Utilities Corporation, which operates primarily in the southern and central areas of the province, serves approximately 292,000 customers directly and 301,000 customers indirectly through wholesale contracts with municipally-owned distribution systems. Alberta Power Limited serves approximately 140,000 customers in the northern and eastern portions of Alberta. Southern Utilities, a small investor-owned utility which serves approximately 200 customers in the Village of Coutts, is also under full Board jurisdiction.

The City of Edmonton owns and operates a fully integrated electric utility, Edmonton Power, which serves approximately 234,000 customers within its corporate limits. Pursuant to the Electric Energy Marketing Act the Board is responsible for setting the price at which the City sells electric energy to the Electric Energy Marketing Agency, but does not establish end customer rates.

While no electric utilities were before the Board in 1988 with general rate applications, the Board did receive an application from the Industrial Power Consumers Association of Alberta requesting the Board to investigate TransAlta's rates, tolls and charges for 1988. This application was approved by the Board in Order C88027 dated November 14, 1988. The Board stated that it would not ordinarily exercise its discretion to review a utility company's rates unless it found there was a reasonable expectation that a net benefit would accrue to the utility's customers. Based upon the evidence before it, the Board was of the opinion that the return which TransAlta could expect from currently approved rates might be in excess of that which would be approved by the Board. There was also a strong likelihood that TransAlta

would file a general rate application for the 1989 and 1990 test years, and the Board considered that there would be no substantial additional expense to include an examination of the 1988 test year. Therefore, TransAlta was required to file with the Board by May 1, 1989 complete data and information to enable the Board to set just and reasonable rates for the 1988, 1989 and 1990 test years.

Full details respecting electric applications before the Board in 1988 are contained in Section 2 of Appendix 1.

3. Water Utilities

The vast majority of water utilities in Alberta are municipally-owned, and hence not subject to the full jurisdiction of the Board. However, in 1988 the Board became involved with a small investor-owned water utility operating in part of the County of Parkland. Several complaints were received by the Board concerning the rates and charges Acheson Park Water Corporation (Acheson Park) was levying to its customers for water usage. Acheson Park claimed that it was not a utility and therefore the Board did not have jurisdiction over its operations. In Order E88087 dated October 24, 1988, the Board ruled that Acheson Park was a utility as defined in the Public Utilities Board Act, and ordered a Board staff review of Acheson Park's operations. When the review is completed, the Board will determine a just and reasonable rate which Acheson Park can charge its customers. This review was in progress at year-end.

4. Natural Gas Utilities

There are ten investor-owned natural gas utilities which operate within Alberta, in addition to a larger number of municipally and co-operatively owned natural gas utilities which do not fall under the full jurisdiction of the Board. The three major utilities regulated by the Board are Northwestern Utilities Limited (NUL), which operates primarily in the northern and central areas of the province; Canadian Western Natural Gas Company Limited (CWNG), which operates primarily in the south; and ICG Utilities (Alberta) Ltd. (ICG) which distributes natural gas to a number of smaller communities throughout the province.

In January of 1988 the Board received an application from CWNG on behalf of Border Utilities Ltd., a small natural gas utility operating in the Village of Coutts, for approval to make on its books a transfer of the outstanding shares of Border's capital stock to CWNG. Board Orders E88035 and E88033 approved the transfer of shares and the union of the utilities respectively. The Board did not, however, approve CWNG's application for a declaration that the purchase price paid by CWNG for Border's shares represented a prudent acquisition cost to CWNG. The Board considered that the question of prudency should be examined at the time of CWNG's next general rate application. In Decision E88093 dated November 22, 1988, the Board approved the merger of CWNG and Border as occasioned by the amalgamation of the companies.

Transportation of natural gas remained a key issue in 1988. In September 1988, the Board heard applications for transportation service to industrial end-users of CWNG and NUL served from the distribution systems or served from the transmission systems and consuming 300,000 gigajoules or less annually. Order E88075 dated October 24, 1988 approved interim rates for transportation service to these "small" industrial customers and Decision E88090 dated November 18, 1988 provided reasons for the Board's findings in connection therewith.

Energy pricing has also been an important issue in the natural gas field since the deregulation of

natural gas pricing occurred in November of 1986. Both CWNG and NUL obtain a substantial portion of their gas requirements under long term contracts with producers. During 1987 these companies renegotiated their gas supply contracts with producers on the basis of a two-tiered pricing system of $1.90 per gigajoule in the winter months and $1.40 per gigajoule in the summer months. Negotiations with producers respecting prices to be effective November 1, 1988 were in progress at year end.

NUL's most recent general rate application remained before the Board in 1988. The Board's Phase I Decision E88018 dated March 18, 1988 determined the rate base, fair return and utility revenue requirement for the test years 1987 and 1988. This decision further ordered a one time refund of $16 million to all customers of record as at December 1, 1987, as a result of over-collections in NUL's deferred gas account.

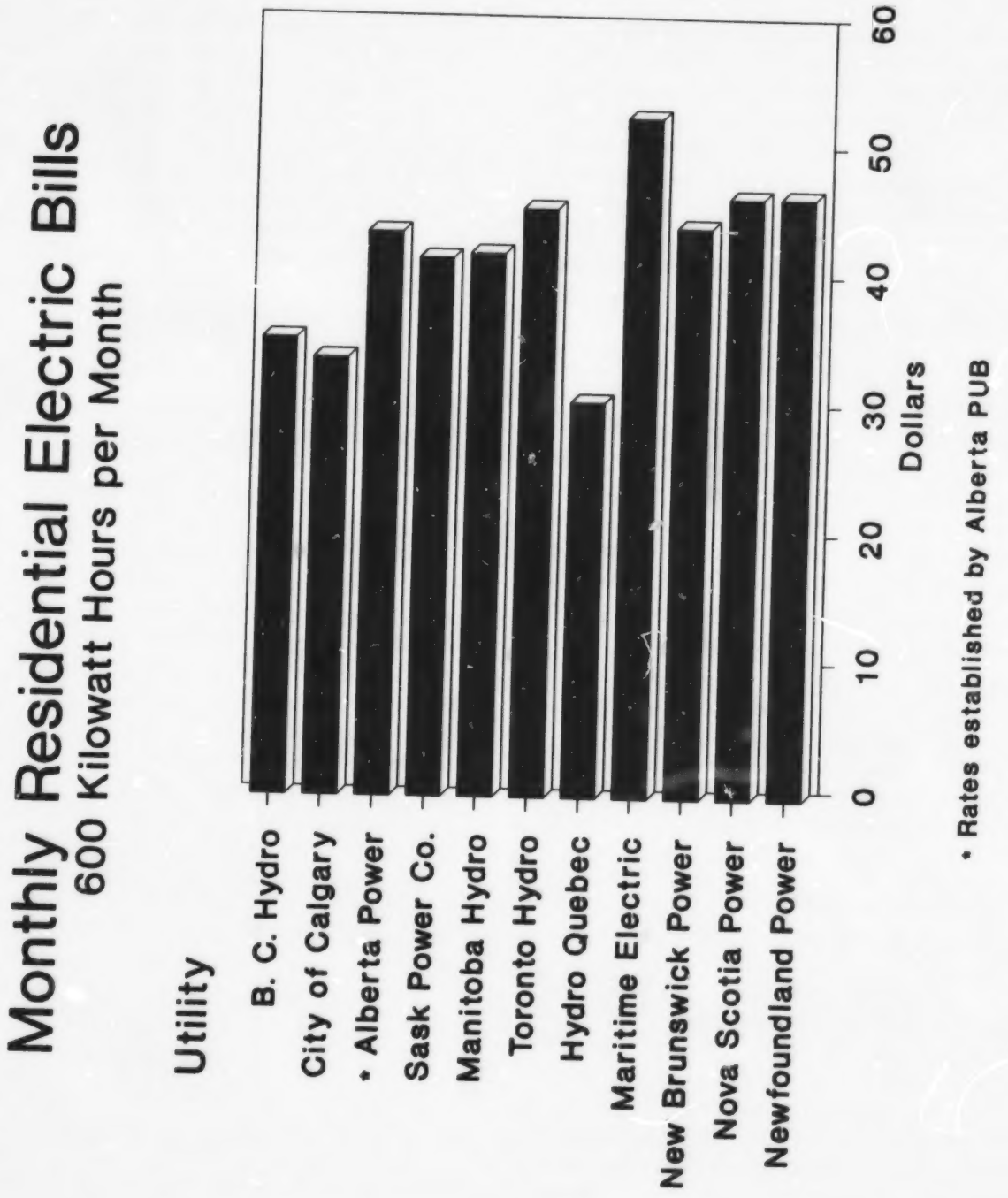
NUL's Phase II hearings were held in Edmonton from September 20 - 30, 1988. The Board's Phase II decision was pending at year end.

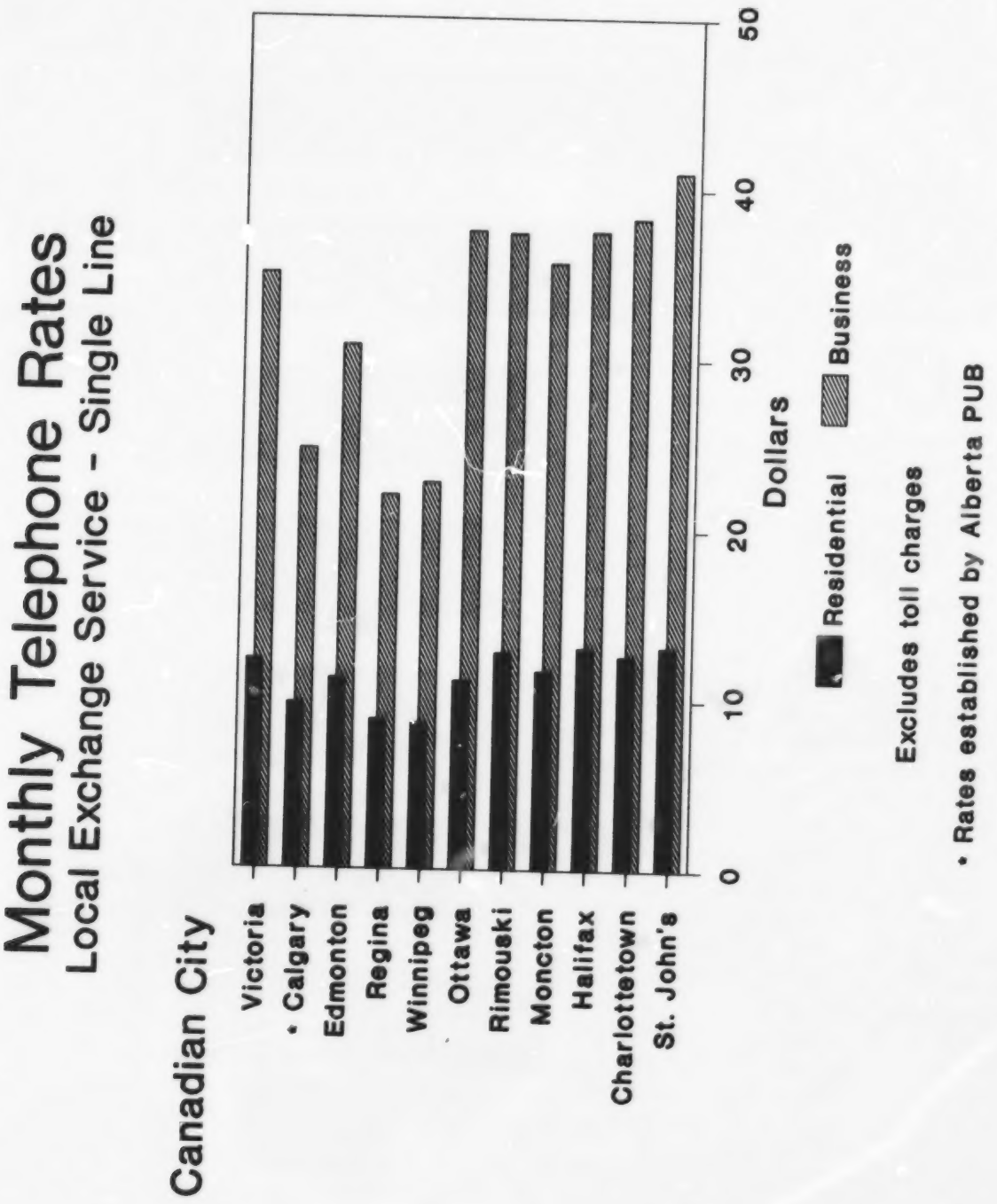
Details of these and all other natural gas applications are contained in Section 4 of Appendix 1.

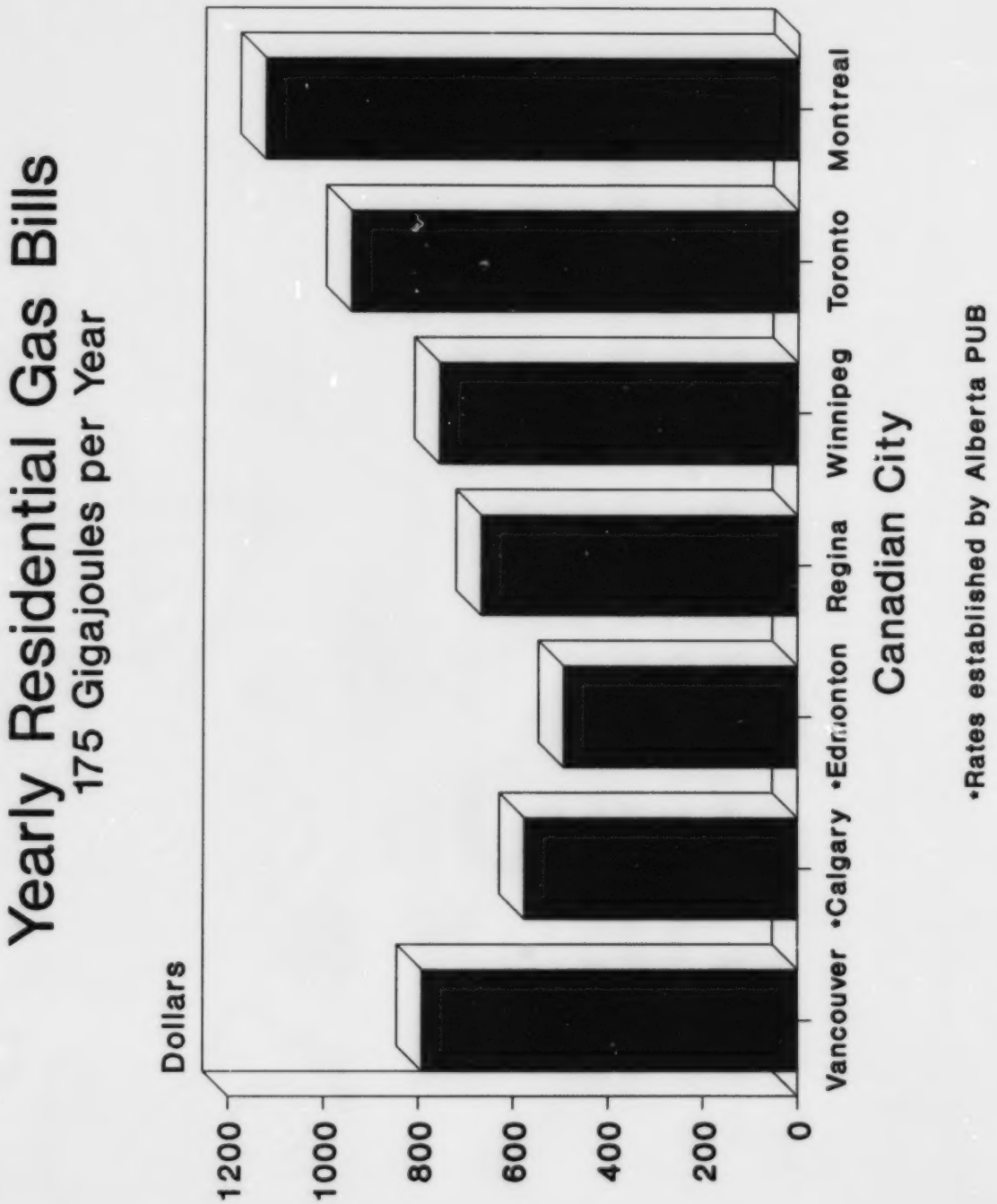
5. Cross-Canada Rate Comparisons

The following graphs indicate how Alberta's telecommunications, electric and natural gas rates compare with those established in other Canadian provinces. For comparative purposes, these tables have been calculated assuming consumption levels of 600 kWh per month for electricity, and 175 gigajoules per year for natural gas. The telecommunications graph compares fixed monthly rates for residential and business customers with one line. The calculations are based on rates effective as of December 31, 1988, as researched by Board staff.

There are many reasons why rates vary within and among provinces. These factors must be kept in mind when viewing any rate comparisons. For example, with telephone service, such items as the relationship between toll and local rates, and the size of the local calling area have a significant impact on rates. With electrical utilities, rates are affected by such variables as the size and density of the respective distribution areas, the sources and cost of power generation and the rate design criteria employed. For gas utilities, the cost of gas, transportation distances, rate design criteria and the mix of customer classes are all major factors affecting end customer rates.


Monthly Residential Electric Bills
600 Kilowatt Hours per Month
Utility
B. C. Hydro
City of Calgary
* Alberta Power
Sask Power Co.
Manitoba Hydro
Toronto Hydro
Hydro Quebec
Maritime Electric
New Brunswick Power
Nova Scotia Power
Newfoundland Power
0
10
20
30
40
50
60
Dollars
* Rates established by Alberta PUB


Monthly Telephone Rates
Local Exchange Service - Single Line
Canadian City
Victoria
• Calgary
Edmonton
Regina
Winnipeg
Ottawa
Rimouski
Moncton
Halifax
Charlottetown
St. John's
0
10
20
30
40
50
Dollars
Residential
Business
Excludes toll charges
• Rates established by Alberta PUB


Yearly Residential Gas Bills
175 Gigajoules per Year
Dollars
1200
1000
800
600
400
200
0
Vancouver
•Calgary
•Edmonton
Regina
Winnipeg
Toronto
Montreal
Canadian City
•Rates established by Alberta PUB

OTHER FUNCTIONS AND RESPONSIBILITIES

While rate-making is the most widely known activity of the Board, the Board performs a number of other important functions, some of which are described in detail below.

1. General Supervision of Utilities

The Board is required by statute to exercise a general supervision over utilities within its jurisdiction, and to ensure their compliance with the law. As part of the regulatory process, the Board is also responsible for reviewing the affairs, earnings and accounts of each owner of a public utility or gas utility within three years of fixing their rates. To ensure compliance with the mandatory review requirements, the Board selects utilities to be reviewed during a given year and authorizes technical staff analysts to proceed with the necessary inquiries.

The consideration of a utility's general rate application also provides an opportunity for the necessary review through the public hearing process, since a thorough examination of the utility's operations is required for the determination of a rate base and fair return. Consequently, the Board's review schedule is under constant revision as general rate applications are processed, thereby satisfying the formal review requirements.

Reports on the review of the affairs, earnings and accounts of Grande Prairie Transmission Co. Ltd. and Orr Mineral Developments Ltd. were issued during 1988. The 1988 review of ICG is being conducted in conjunction with a "mini" hearing.

2. Municipal Supply Contracts and Special Franchise Agreements

Pursuant to sections 279 and 280 of the Municipal Government Act, a municipality must obtain the approval of the Board to enter into a supply contract or a special franchise agreement with a public or gas utility. Renewals or alterations of such contracts must also receive Board approval, pursuant to section 281 of the Municipal Government Act.

A supply contract grants a utility company the right to provide utility services for distribution by the municipally owned utility system. A franchise agreement generally provides the utility company with the exclusive right to directly supply and serve customers within the specified franchise area.

Applications for approval of a franchise agreement often include applications for approval of a franchise tax. This requires the utility company to pay the municipality a percentage of the utility's gross revenue realized within the municipality, in lieu of property tax. The level of the franchise tax varies between communities, but generally constitutes a significant component of the customers' bills. For example, the amount of this municipal franchise tax for gas utilities in Alberta's major cities is 10% of the gas bill including the franchise tax. Because of the impact on customers' bills, the Board requires the utility companies to show the amount of the franchise tax as a separate item on utility bills.

During 1988, the Board heard a number of supply contract and special franchise applications, as outlined in Section 6 of Appendix 1. To facilitate consumer representation, in 1988 many of these hearings were conducted in the municipalities involved.

OTHER FUNCTIONS AND RESPONSIBILITIES

3. Milk Prices

Under the Dairy Board Act, the Board is required to set the minimum price of fluid milk that may be paid to producers, and the minimum wholesale and retail prices of fluid milk and fluid milk products that may be charged by processors, distributors and sellers. It is important to note that these are MINIMUM prices. Due to a recent Government amendment to the Dairy Control Board Regulation, the minimum prices set by the Board now apply to the entire Province.

Since 1976, the Board has used the fluid milk pricing formula, developed with the assistance of the Production Economics Branch of the Alberta Agriculture Department, to help determine the minimum price of milk. In Decision E76104 dated August 13, 1976, the Board stated:

> "The Board will continue to use formula pricing as a guide in fixing the minimum price to be paid to producers for Class 1 fluid milk.
>
> The Board reserves the right to adjust or not to adjust the minimum producer price as indicated by the formula price if it finds that unusual circumstances prevail at any particular time. The performance and results of formula pricing will be monitored continuously, tested against the production cost study annually and reviewed at public hearings periodically in response to an application or upon the Board's own initiative."

Certain increases in the minimum producer prices of milk were approved in 1988 as a result of the application of this fluid milk pricing formula. These changes resulted in simultaneous increases of one cent per litre in the minimum wholesale and retail prices of fluid milk products, effective June 1, 1988, August 1, 1988 and October 1, 1988.

In addition to reviewing applications resulting from milk pricing formula changes, the Board also rendered decisions in 1988 respecting applications received in 1987 from certain Processors/Distributors and Wholesalers/Retailers of fluid milk products. Decisions E88021 and E88022 dated February 23, 1988 approved increases of one cent per litre in the minimum wholesale and retail milk prices respectively. The increases granted were required to offset increased costs of processing and selling fluid milk and fluid milk products and to ensure a reasonable profit margin on their sale.

1% milk was also introduced in the Alberta market in 1988. Board Decision E88053 dated June 23, 1988 approved minimum prices for all package sizes of 1% milk.

Orders resulting from the Board's milk pricing activities are summarized in Section 9 of Appendix 1.

4. Duties Pursuant to the Electric Energy Marketing Act

The Board is required pursuant to the Electric Energy Marketing Act to set the price or the pricing formula, for each consumer group, at which electric energy will be sold to the Electric Energy Marketing Agency.

The Electric Energy Marketing Act, which became effective September 1, 1982, requires TransAlta Utilities Corporation, Alberta Power Limited and Edmonton Power to sell all the electric energy generated by these utilities for consumption within Alberta to the Electric Energy Marketing Agency at prices established by the Board. These prices are based upon the cost of generating and transmitting electric energy to the designated pooling interface points. The Agency pools these costs and resells

the electric energy to the three utilities at an average price. To the extent that this process averages generation and transmission costs there is a measure of equalization of costs throughout Alberta, but the exclusion of distribution costs results in some variations in rates for customers in different areas.

Currently, both TransAlta and Edmonton Power pay more to repurchase electric energy from the Agency than their selling price. This has resulted in increases in the cost of electric energy. To ease the impact of these increases, the Alberta Government established a shielding program, which has gradually phased the rate equalization procedure into consumer rates in Southern Alberta and Edmonton. This shielding program was recently extended to December 31, 1990, to cushion the impact of rate increases in the upcoming period when new power plants are scheduled to begin production.

Details respecting Electric Energy Marketing Agency applications are contained in Sections 2 and 10 of Appendix 1.

5. Municipally-Owned Utilities

Municipally-owned utilities are not subject to the full jurisdiction of the Board, unless they pass a by-law submitting the operation of their utilities to the control and orders of the Board. At present, no municipalities are under the full jurisdiction of the Board. However, pursuant to Section 291 of the Municipal Government Act, a user of a municipally-owned utility (with the exception of 'edmonton telephones'), may lodge a complaint with the Board alleging that the rates of the utility do not conform to the rate structure established by the municipality; have been improperly imposed; or are discriminatory. If the Board concurs it may vary or disallow these charges.

In 1988, the Board received a number of complaints pursuant to this section. For example, a number of residents of the Village of Ryley lodged complaints with the Board alleging that the Village had improperly imposed minimum monthly charges for utility service to properties which had requested that utility service be disconnected or to properties which had never received utility service. The Board held a public hearing of these complaints in the Village of Ryley. Having reviewed the case law and the relevant legislation, the Board concluded that a consumer has the inherent right to request disconnection of utility service, and that the minimum charges in question had therefore been improperly imposed. Further details of complaints respecting municipally-owned utilities are contained in Section 6D of Appendix 1.

In addition, the Board hears and determines disputes with respect to the rates charged for utility services provided by one municipality to another municipality. No such applications were received in 1988.

6. Rural Gas Utilities

Rural gas utilities are not subject to the jurisdiction of the Board, except where specifically provided in the Rural Gas Act. Section 37(1)(b) of this Act provides that the Board may hear and resolve complaints with respect to the rates imposed by rural gas utilities when it is alleged that such rates do not conform to the rate structure established by the utility; have been improperly imposed; or are discriminatory.

Furthermore, the Board sits as an appellate tribunal with respect to disputes over service area boundary decisions made by the Chief Officer as defined in the Rural Gas Act. No such applications were received in 1988.

OTHER FUNCTIONS AND RESPONSIBILITIES

7. Intra-Provincial Railways

The definition of a public utility contained in the Public Utilities Board Act includes a system which conveys travellers or goods over a railway. Such systems are required to file rates with the Board and such rates cannot be changed without Board approval. In the past year, Central Western Railway (CWR) has filed its rates with the Board. However, the Federal Court of Appeal has found CWR to be a federal undertaking, as it forms part of the national grain transportation network, and hence subject to federal regulation. This matter was appealed to the Supreme Court of Canada, whose decision was pending at year end.

In addition, Section 95 of the Public Utilities Board Act specifies that the permission of the Board must be obtained for the construction of highway crossings by a railway company within the legislative authority of Alberta, and that the Board shall make reasonable provisions for the protection of the travelling public with respect to these grade crossings. Such an application was received by the Board in 1988 with respect to the construction of an "at grade railway crossing" in the Town of Peace River. A public hearing was held in the community and in Decision E88066 dated September 6, 1988, the Board approved the application, having made certain safety specifications.

8. NOVA Corporation of Alberta

The Board hears and resolves complaints with respect to the rates charged by NOVA Corporation of Alberta for the transportation of gas within Alberta. Section 37(2) of the NOVA Corporation of Alberta Act provides that, upon complaint in writing of an interested party, the Board is responsible for determining the justness and reasonableness of the rates, tolls or other charges fixed or varied by NOVA, and by order in writing may vary or confirm the foregoing rates, tolls or other charges. No such complaints were received by the Board in 1988.

9. Compensation Fixing Duties

A number of statutes confer compensation fixing duties upon the Board. For example, the Board hears and determines disputes with respect to the payment of compensation which may be required when all or part of a franchise area of a rural gas utility is annexed to a municipality and becomes served by another utility. In addition, the Board may determine compensation respecting the sale of Rural Electrification Association assets. When directed by the Lieutenant Governor in Council, the Board may also fix compensation with respect to air pollution damage claims, water pollution damage claims and environment damage claims. No such applications were received by the Board in 1988.

10. Appeals of the Alberta Cost of Service

Under the Natural Gas Pricing Agreement Act and Regulations, the Board acted as an appellate tribunal with respect to determinations of the "Alberta Cost of Service" made by the Alberta Petroleum Marketing Commission prior to October 31, 1987 with respect to the transportation of gas within Alberta. The Board issued Decision E87113 dated October 30, 1987 with respect to an appeal by Husky Oil Limited of the "Alberta Cost of Service." The Board's decision was appealed to the Court of Appeal, whose decision was pending at year end.

Under the Natural Gas Marketing Act, the Board sits as an appellate tribunal for determinations of the "Alberta Cost of Service" made

by the Alberta Petroleum Marketing Commission. No such appeals were received by the Board in 1988.

11. The Energy Resources Conservation Board Hearings

Order in Council 234/85 provides that certain members of the Board are nominated as persons who may be named as Acting Members of the Energy Resources Conservation Board (ERCB). In 1987, Mr. Neil MacDonald was named as an Acting Member of the ERCB to hear an application by Southview Fibre Tech Ltd. for approval to operate and connect an electrical generating plant to TransAlta's electric system. ERCB Report D88-2 approved the connection of the plant to TransAlta's electric system and thus to the Alberta integrated electric system subject to Southview obtaining approval of a detailed power plant application. The ERCB concluded that it had no jurisdiction to fix prices, but expressed the view that if the price paid for compensation were to exceed the Alberta integrated system avoided costs, the connection of the plant would not be consistent with the economic, orderly and efficient development of electric energy.

12. The Natural Gas Price Protection Plan

Pursuant to the Natural Gas Rebates Act, the Board performed an administrative function under the Natural Gas Price Protection Plan. This plan was initiated by the Alberta Government in 1974 to shelter Alberta consumers of natural gas from world market prices. The program established a "Provincial Support Price" (PSP). The natural gas user paid for the cost of gas up to that level, and the cost of gas above the support price was rebated by the Alberta Government to the serving utility.

The Board's responsibility was to examine applications for rebate and to issue "supply certificates" and "rates certificates" if the applications were found to be in order. These certificates were required before the Director of Rebates could approve an application for rebate. The number and type of rebate applications processed by the Board in 1988 are outlined below.

Prior to deregulation of natural gas prices, the Alberta Government's policy was to fix the PSP at 65% of the Alberta Border Price. At the effective date of price deregulation, November 1, 1986, the PSP was $1.819 per gigajoule. The level of the PSP did not change after deregulation. Immediately prior to this time, the plan provided a subsidy of approximately $160 per year to the residential customer who used 227 gigajoules of natural gas annually. However, the substantial drop in natural gas prices after deregulation greatly reduced the subsidized component of a customer's gas bill, as the difference between the rebate threshold and the gas field prices narrowed or disappeared. Consequently, the Alberta Government allowed the plan to expire on March 31, 1988, although claims for rebate up until this date were accepted and processed by the Board until December 31, 1988.

SUMMARY OF NATURAL GAS REBATE CERTIFICATES ISSUED DURING 1988

	FINAL CERTIFICATES ISSUED	
TYPE OF APPLICANT	SUPPLY	RATES
(a) Canadian Western Natural Gas Company Limited, Northwestern Utilities Limited and ICG Utilities (Alberta) Ltd.	18	18
(b) Smaller Gas Utilities	5	5
(c) Natural Gas Co-operatives	4	4
(d) Eligible Consumers	2	
Total Number of Certificates Issued	29	27

OTHER FUNCTIONS AND RESPONSIBILITIES

13. Gas Processing Costs

Section 10 of the Gas Utilities Act states that, subject to the authorization of the Lieutenant Governor in Council, the Board may fix the costs, or method for ascertaining costs, for the gathering, treating or processing of gas. In 1988, Mr. Frederick Haller made an application to the Board pursuant to this section requesting the Board to determine the costs, or the method for ascertaining costs, for gas derived from lands owned by Mr. Haller and produced and processed by Gulf Canada Resources Limited. The Board held a pre-hearing conference and adjourned the application sine die pending further action by the parties.

14. Inquiries

From time to time the Board, on its own initiative or at the request of the Lieutenant Governor in Council, may hold public inquiries into matters of topical concern which fall within its jurisdiction. Public hearings are generally held with respect to such inquiries, with the result that the Lieutenant Governor in Council receives a report which reflects publicly-tested opinions and well-founded recommendations.

During 1987, the Lieutenant Governor in Council directed that the Board hold a joint inquiry with the Energy Resources Conservation Board on the subject of small power production in Alberta. Public hearings were held in which the electric generating utilities, the cities of Calgary and Lethbridge, the Small Power Producers Association of Alberta, the Industrial Power Consumers Association, and the Canadian Petroleum Association were the major participants. In the report to the Lieutenant Governor in Council, dated February 1988, the Boards recommended that the Government adopt a policy that would facilitate the production of electric energy by independent producers in parallel with the Alberta interconnected system. The report outlined the suggested classification of small power producers and the maximum capacity which they should be allowed to interconnect. The report further advised that the prices paid to small power producers by utilities should be based on long-term avoided costs to ensure that end prices to consumers would not increase. Further details respecting this report are contained in Appendix 3.

Following this inquiry, the Government of Alberta introduced the Small Power Research and Development Act, which was given Royal Assent on July 6, 1988 and proclaimed on November 17, 1988. Regulations pursuant to the Act were approved by O.C. 675/88 also dated November 17, 1988. The Act requires public utilities to purchase electric energy at 5.2 cents per kWh from small power producers utilizing wind, hydro or biomass as their energy source. The legislation applies to projects up to 2.5 megawatts and a limited number of larger pilot projects, with total small power capacity not to exceed 125 megawatts. Pursuant to the Regulations, eligible applications must be received before January 1, 1995.

OTHER FUNCTIONS AND RESPONSIBILITIES

15. Federal/Provincial Examinations Into Telecommunications Issues

The Board has participated in two examinations of telecommunications matters by federal and provincial telecommunications regulators. The first report on the topic of telecommunications pricing and universal availability of affordable telecommunications services was issued to the First Ministers on August 27, 1986.

At their meeting in Edmonton on April 2-3, 1987, the Federal and Provincial Ministers responsible for telecommunications agreed to review the desirability of competition in public long distance service. In view of the complexities which surround the issues of telecommunications pricing and competition, they agreed to ask federal, provincial and territorial representatives to begin an investigation of these issues and report back to the Ministers within a one year period.

At the invitation of the Minister of Technology, Research and Telecommunications, the Board appointed Mr. Anwar Jah as the Board's representative to the second examination. The report was released to the Ministers on December 12, 1988.

Further details respecting this inquiry are contained in Appendix 4.

SUMMARY OF REGULATORY ACTIVITY
1988

This table provides some selected statistics which describe the volume of regulatory activity during 1988 in the same categories used in Appendix 1, "Applications to the Board".

		APPLICATIONS CARRIED FORWARD FROM 1987	APPLICATIONS RECEIVED DURING 1988	TOTAL APPLICATIONS TO BE DEALT WITH IN 1988	APPLICATIONS FINALIZED BY BOARD ORDERS OR DECISIONS	APPLICATIONS FINALIZED WITHOUT BOARD ORDERS OR DECISIONS	TOTAL APPLICATIONS FINALIZED IN 1988	APPLICATIONS CARRIED FORWARD TO 1989	DAYS OF FORMAL HEARINGS	DAYS OF IN-OFFICE HEARINGS
1.	Public Utilities, Telecommunications	4	1	5	2	1	3	2	9	0
2.	Public Utilities, Electric	6	14	20	13	3	16	4	23	0
3.	Public Utilities, Water	0	1	1	0	0	0	1	1	0
4.	Gas Utilities, Investor Owned	32	28	60	42	5	47	13	24	0
5.	Utilities not offering utility services to the general public	0	4	4	4	0	4	0	1	2
6.	Municipalities									
6A.	Special Franchise Agreements (the Municipal Government Act)	9	45	54	42	0	42	12	1	22
6B.	Supply Contracts (the Municipal Government Act)	2	6	8	8	0	8	0	3	1
6C.	Supply and Lighting Agreements (the Improvement Districts Act)	0	0	0	0	0	0	0	0	0
6D.	Complaints (the Municipal Government Act)	2	2	4	3	1	4	0	2	0
6E.	Other Applications	3	2	5	2	2	4	1	2	0
7.	Complaints Under the NOVA Corporation of Alberta Act	0	0	0	0	0	0	0	0	0
8.	Appeals Under the Natural Gas Pricing Agreement Act	1	0	1	0	1	1	0	0	0
9.	Milk Pricing	4	5	9	9	0	9	0	1	0
10.	Other Matters	3	4	7	5	0	5	2	7	0
	Totals	66	112[1]	178	130[2]	13[3]	143	35[4]	74	25

1 Includes cases where the Board acted on its own motion and matters which were referred back to the Board by the Courts.

2 In 1988, 133 Orders and Decisions were issued by the Board. This reflects the fact that more than one Order or Decision may be issued in respect of the same application. In 1987 there were 163 Orders and Decisions issued.

3 Includes applications withdrawn by the applicant.

4 Some applications reflected have been partially dealt with by Board Orders and Decisions but are not yet finalized.

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APPENDIX 1
APPLICATIONS TO THE BOARD

SECTION 1: PUBLIC UTILITIES
Telecommunications

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/REGULATED ENTITY
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

1.01 (a) RC86007/E3.4.89-73/Alberta Government Telephones

(b) Application by the City of Calgary for approval of a change in rates, tolls and charges.

(c) Adjourned sine die at the request of the Applicant.

1.02 (a) RE86085/E3.4.89-75/Alberta Government Telephones

(b) For approval to change the rates, tolls or charges of Alberta Government Telephones (AGT).

(c) (1) **GENERAL**

(A) Phase I Decision E88004 dated February 19, 1988, as amended by Decision E88042 dated April 26, 1988, determined the rate base, fair return and utility revenue requirement for the test years 1986 and 1987 and addressed the actual results of AGT for 1986. In this Decision the Board found that AGT had a revenue surplus of $27,541,000 for 1986 and a revenue surplus of $41,482,000 for 1987.

(B) In Decision E88057 dated July 14, 1988 the Board approved new interim rates for AGT effective August 1, 1988 and an interim refund of the 1986 and 1987 surpluses to be distributed to customers in September, 1988.

(C) In Order E88062 dated July 14, 1988 the Board fixed and approved for payment by AGT intervenors' costs relating to AGT's Phase I proceedings in the amount of $440,339.75. Costs claimed were in the sum of $440,607.12.

(D) In Decision E88058 dated July 14, 1988, the Board denied an application by CNCP Telecommunications for an order adjourning AGT's Phase II proceedings or deferring consideration of certain rate proposals pending release of the decision of the Supreme Court of Canada in AGT v. Canadian Radio-television and Telecommunications Commission and CNCP, Appeal No. 20301. The Board adopted the principles set out in Re Cedervale Tree Services Ltd. and Labourers' International Union of North America, Local 183 (1971) 22 D.L.R. (3d) 40, 49 and held that the balance of convenience dictated that the Board should proceed with AGT's Phase II application.

(E) Phase II Decision E88089 dated December 23, 1988 approved final rates for the test year 1987.

(2) **RATE BASE**

(A) Actual vs Forecasts For 1986

The Board concluded that, since AGT had filed actual results for all 1986 figures except the projected Telecom Canada settlement arising from the Arbitration Committee award, equity return on rate base for 1986 would be adjusted accordingly.

(B) Capital Expenditure Program – General

The Board reduced the forecast capital expenditures for 1987 by 10% because evidence filed showed that AGT's forecast capital expenditures had consistently exceeded the actuals by at least this amount.

(C) Capital Expenditure System (CES) – General Ledger Mismatch

The Board directed AGT to reconcile the net additions to plant figures produced by these two information systems by the time of their next general rate application.

(D) Capital Expenditure Program – Extended Flat Rate Calling (EFRC)

The Board approved capital expenditures of $1,269,198 for 1986 and $10,938,231 for 1987 on this program.

(E) Central Office Conversion (COC) Program

This program is intended to convert AGT's network to an all-digital remote-host configuration in five years. The Board approved expenditures of $1,700,000 in

1986 and $24,600,000 in 1987. The Board expressed concern about the excess capacity this program might generate and directed AGT to address the matter of spare capacity by AGT's next general rate application.

(F) Individual Line Service (ILS) Program

The Board approved capital expenditures of $23,018,775 in 1986 and $41,718,588 in 1987 on this program.

(G) Net Investment In Sales Type Leases

Sales type leases are financial leasing contracts for equipment sold by AGT. AGT places this investment in rate base at the sum of minimum lease payments. The Board considered that this was not at original cost as required by section 82 (2) of the Public Utilities Board Act. The Board made no adjustment to AGT's rate base in this Decision, but directed AGT to include this investment at the original cost of the equipment.

(H) Net Unamortized Station Connection Costs

In 1985, AGT initiated an accounting policy change to expense station connection costs rather than capitalizing them. The balance in the plant account to be amortized was $45,996,000 to be amortized in 1985 and the first test year, 1986. The Board considered that this would result in distortion of rates and directed AGT to amortize the balance over five years.

(I) Allowance For Funds Used During Construction (AFUDC)

Evidence showed that AGT was charging AFUDC on projects started and completed in the same year. AGT was also charging AFUDC on construction holdbacks and accounts payable related to construction. The Board directed AGT not to charge AFUDC in both these cases.

(J) Depreciation Expense Filing Requirements

During the Hearing, much time was taken up on examination concerning technical Depreciation matters. The City of Calgary argued that AGT should provide the proper depreciation information and in more detail. The Board considered that AGT had filed sufficient information and in sufficient detail. Furthermore, the Board counselled Calgary to contact AGT prior to the Hearing if information is considered to be insufficient.

(K) Writedown of Station Equipment Costs

AGT stated that net adjustments of $42.3 million were processed in 1985 to certain station equipment accounts and the associated depreciation accounts to reflect a reconciliation of the records for certain customer premises equipment. This arose because competition in terminals required better records. The station asset record was found to be incorrect by $42.3 million.

The Board considered that these discrepancies resulted in AGT earning a return on assets which did not exist. The Board considered it would be retroactive rate making to recover these earnings but did not consider it appropriate for AGT to recover the written-off equipment through increased depreciation expense. The Board reduced AGT's depreciation expense by $2.8 million in 1986 and $3.8 million in 1987.

(L) Necessary Working Capital (NWC)

The Board explicitly recognized financial items (debt interest, equity return) and non-cash items (depreciation and amortizations and uncollectibles) in the calculation of NWC using the lead/lag approach. The Board also approved AGT's refinements to their lead/lag study; e.g. use of cheque clearance date instead of issue date and the lag associated with accrued vacation pay.

AGT also includes mid-year materials and supplies (see below), mid-year prepaid expenses and mid-year deferred charges in NWC. The Board approved their inclusion.

(M) Construction Materials and Supplies

In Decision E84083, AGT was directed to exclude from mid-year materials and supplies that portion which was determined to be related to construction. By a study, AGT determined that, in 1985, 36% of non-retail materials and supplies were related to construction activity. At the Hearing, AGT estimated that the figures for 1986 and

1987 were 39% and 41% respectively, due to the ILS and COC programs. The Board adjusted the materials and supplies for the test years in NWC accordingly.

(3) **FAIR RETURN**

(A) Fair Return

The Board agreed with AGT that it was being asked to set the fair return on the basis of actual cost of debt and equity plus an additional return of $31,222,000 in 1986 and $29,878,000 in 1987 in recognition of the guarantee of its debt by the Provincial Government. The Board found that AGT's proposition to calculate fair return required that AGT should be considered a stand-alone telephone company with a 50/50 debt/equity ratio in matters of fair return alone. The Board considered that the evidence before it was that AGT was not asking to be considered as a stand-alone entity in other matters, and the Board could not accept AGT's proposition with respect to fair return alone. In the absence of any actual compensation for the guarantee, the Board considered it inappropriate to recover this cost from customers.

The Board accepted the embedded cost of debt as filed by AGT. The Board considered it appropriate to include Sinking Fund earnings in the calculation of embedded cost of debt. The Board included this adjustment in AGT's revenue requirement.

The Board set the total fair return on rate base at $232,000,000 for 1987. In view of the minimal risk associated with the results for 1986, the Board set a total fair return of $253,000,000 on rate base for the test year 1986.

(B) Writedown of Non-Utility Investments

AGT wrote down its investment in non-utility subsidiaries (NovAtel, ATI) by $55.0 million in 1986. The Board considered that utility customers could be affected by this writedown via the capital structure. However, the Board made no adjustment in this Decision as debt and equity costs were similar at this time.

(C) Advances and Loans to Subsidiaries

During the Hearing, AGT stated that it does not charge its non-utility subsidiaries for capital advances. The Board directed AGT to charge these subsidiaries, at the minimum, AGT's composite cost of capital for any funds advanced.

(4) **UTILITY REVENUE REQUIREMENT**

(A) Pension Plan Contributions

The Board expressed concern that AGT continued to have a surplus in its pension plan. The Board directed that AGT file at the time of its next general rate application what steps it was taking to reduce the surplus in the plan through reductions in contribution rates.

(B) General and Administration Expenses

The Board expressed concern at the increases in these expenses, but found no evidence of waste or imprudence. The Board did consider that the treatment of expenses associated with the reorganization was inappropriate for regulatory purposes and directed AGT to amortize the expense over five years.

(C) Commercial and Marketing Expenses

The Board considered the increase in these expenses to be justified in view of AGT's stated business directions. The Board considered that these expenses should be reflected in the Contribution Test.

(D) Early Retirement Program

The Board considered it inappropriate to pay for the Early Retirement Program from the Pension Plan surplus. However, the Board considered that AGT should amortize the $13.3 million cost of the program over three years.

(5) **UTILITY REVENUES**

(A) Revenue Forecasting Procedures

Although the methods used by AGT to forecast revenues are acceptable for this Decision, the Board does not consider that these methods will be adequate if AGT moves, as stated, to cost-based rates. The Board directed AGT to address, at the time

of its next general rate application, how its revenue forecasting methods have kept pace with its move towards cost-based prices.

(B) Effect of Rural ILS on Utility Revenues

During the Hearing, AGT testified that the effect of the Rural ILS program on the settled revenues of AGT would be to increase them by $900,000 in 1987. The Board made the necessary adjustment to AGT's revenues for 1987.

(C) Alberta Telecom Licensing Corporation (ATLC) Revenues

AGT did not file in its evidence revenues, expenses and investments for this subsidiary consolidated with utility revenues, etc. as directed in Decision C87007. The Board made the necessary adjustments to AGT's Revenue Requirement for both test years.

(6) **OTHER MATTERS**

(A) Contribution Test

The Board found that non-basic services were becoming an increasing proportion of AGT's revenues. However, the methodology of the Contribution Test had not been significantly updated. AGT was directed to update the scope of departmental expense included in the Contribution Test, and the allocation factors for common costs by the time of filing the 1987 Test. The procedures manual is to be updated by the time of AGT's next general rate application.

The Board did not require the Contribution Test to be audited nor did it require services to be split out from the Contribution Test. The Board did require the expenses and revenues of Directory to be identified within the Test.

(B) Quality of Service

The Board accepted AGT's TELSEP program for measuring quality of service but expressed concern that the Board had no way of determining if the quality measured by this program was reasonable relative to the cost of service. The Board directed AGT to present evidence at the time of its next general rate application to indicate that the TELSEP objectives provide a reasonable balance between the costs of service and the quality of that service.

During the Hearing, AGT indicated that it performed other quality of service measurements which would aid the Board in making quality comparisons with other telephone companies. AGT was directed to inform the Board as to which of these measurements it presently performs and to supply them by the time of AGT's next general rate application.

(C) Total Factor Productivity (TFP)

The Board accepted that AGT's TFP measurement indicated that satisfactory productivity gains had been made over the period of the measurement. The Board did not consider that further decomposition of the TFP study would accomplish a useful regulatory purpose. The Board did not require AGT to file further TFP studies unless accompanied by evidence showing how they ultimately benefit all of the customers of AGT.

(D) Intercompany Transactions

The Board did not consider that any adjustment should be made to AGT's utility revenues or expenses for non-utility employee transactions. However, AGT was directed to review its procedures and to consider whether an adequate transfer cost was being charged for on-loan employees.

(7) **RATES AND TERMS AND CONDITIONS OF SERVICE**

(A) General Regulations

The Board approved AGT's General Regulations but directed AGT to address the matter of its limitation of liability at the time of its next general rate application.

(B) Extended Flat Rate Calling (EFRC)

The Board considered that AGT's present distance criterion was reasonable but directed AGT to develop more flexible proposals for EFRC service which would accommodate unique situations. These should be presented at the time of AGT's next general

rate application and would a) permit contributions towards the the costs of providing EFRC service and b) accommodate existing communities of interest in Alberta. The Board also directed AGT to make wording changes to Tariff Item 305.3(5) to include the EFRC area in the local calling area.

The Board approved AGT's proposals for unbundling EFRC rates and its proposals to limit rate increases to customers. The restructuring appeared to be a reasonable balance between value of the service provided and the non traffic sensitive costs incurred.

The Board approved AGT's EFRC proposals for the "Edmonton Core".

(C) Local Service Rates

The Board approved AGT's proposals for Business exchange service as it would appear to better recover traffic sensitive costs than other methods proposed.

The Board directed AGT that, if Cantel supplies AGT with the number of its cellular telephones in an exchange area, AGT should include these with its own cellular telephones in the exchange main station count.

(D) Public Telephone Service

The Board approved the rate for credit card, collect and third party local calls as proposed by AGT.

The Board approved the unbundling of the terminal and the new rates for semi-public telephone service as proposed by AGT.

The Board did not have any evidence before it to consider whether customer-owned public telephones would be in the public interest.

(E) Service Charges

The Board considered it appropriate that service charges be standardized and approved AGT's proposals for these rates.

(F) Directory Assistance

The Board approved AGT's proposals to increase the rate for this service as just and reasonable and AGT's proposal to dispense addresses with the telephone number on request.

(G) Promotional Incentives

The Board did not consider that AGT had supplied sufficient information as to the nature of proposed temporary incentives on Basic Services in order to approve their filing for acknowledgement in the future. The Board considered that AGT had not supplied sufficient information to support its claim that waiving the service charges for touch tone and custom calling services would be compensatory and the Board directed AGT to file new tariffs including service charges for these services.

(H) Message Toll Service Rates

The Board approved AGT's proposals for message toll rates including those interim rates approved in Decision E88057 and those proposed for later implementation.

(I) Between Friends, Short Haul Discount and Isolated Community Plans

The Board approved these three subscription plans for discounted message toll service and directed AGT to track the costs and revenues from all three plans.

(J) 800 Service

The Board approved AGT's proposal to introduce new tapered rates for 5 Hour 800 service. The Board considered that there was no urgency to discontinue 160 Hour 800 service as the new equipment which would render AGT unable to supply this service had not yet gone into use. AGT was directed to file a new tariff for this service which would recover an appropriate proportion of its revenue requirement. The Board also approved AGT's proposal for a new 1 Hour 800 service but directed AGT to file a tariff with a revised implementation date.

(K) Wide Area Telephone Service (WATS)

The Board approved AGT's proposal to introduce new tapered rates for WATS 10 service as there are economies of scale in the provision of telecommunications service and tapered rates will provide an effective framework for recovery of traffic sensitive and non traffic sensitive costs when these become more precisely known.

The Board approved AGT's WATS 120 proposals, but denied the proposal of Regional Maple Leaf Communications (RMC) for a special bulk service offering as the Board considered that RMC's proposal would not properly recover non traffic sensitive costs.

Since it would not materially affect AGT's overall revenue requirement and six second timing is offered by other telephone companies, the Board directed AGT to refile its WATS 120 tariff with six second timing, as opposed to one minute or one minute averaging.

(L) Miscellaneous Rates

The Board approved AGT's proposal to eliminate the colour charge. The Board approved AGT's proposals for increased local channel rates and directed AGT to charge its Non Basic services this rate when local channels form part of its Non Basic service. The Board approved AGT's proposals to restructure and extend the special rate for churches to "community centres" and directed AGT to amend Tariff Item 215.2 to include installation of the first line to these institutions at the residential rate. The Board approved AGT's message toll rebill proposals. The Board considered that it was not in the public interest to delay finalization of public cellular mobile radio systems - network access rates, and made the interim rates final. AGT was directed to file cost information with the Board supporting these rates at the time of its next general rate application. The Board approved AGT's proposals for radio paging - network access service with wording changes to Tariff Item 320.3. The Board approved AGT's proposals for public mobile and ship and aircraft services.

(8) MOVEMENT OF BASIC SERVICES TO THE NON BASIC TARIFF

(A) Rental Telephone Sets

The Board considered that unbundling the set rental from the Individual Line charge would clarify the charges to the customer. Because there were no competitors supplying the service and a significant proportion of AGT's customers used this service, the Board considered it would not be in the public interest to place rental sets on the Non Basic Tariff. The Board directed AGT to file a tariff for rental sets as an offering on its Basic Tariff. The Board directed AGT to address the matter of moving premium telephone sets to the Non Basic Tariff while retaining a basic telephone set on the Basic Tariff at the time of its next general rate application.

(B) Inside Wiring

The Board considered that, presently, the users of this service were not bearing any of the costs of providing it. The Board was satisfied that this service could be offered on a competitive basis. AGT's proposal to move this service to the Non Basic Tariff was approved.

(C) Foreign Exchange, Tie Trunks and Off Premises Extensions

The Board did not consider that provisioning of these circuits is, at present, competitive and denied AGT's application to move these services to the Non Basic Tariff.

(D) Local Channel Signalling, Wired Music and Page Call Transmitter Access

The Board considered that the conditions for moving these services to the Non Basic Tariff had been met and approved AGT's proposals.

(E) Contribution Test Methodology

Given the Board's directions in Decision E88004 with respect to Contribution Test methodology, the Board considered it would be more appropriate to deal with such changes at the time these directions are carried out.

(9) MOVEMENT OF NON BASIC SERVICES TO THE BASIC TARIFF

(A) 900 Service

Although the Board did not consider this to be an essential public service, AGT did not identify a method of providing it except through the public switched network. AGT

was directed to file a tariff for 900 Service as part of its Basic Tariff.

(B) Signature, Solo and Harmony Rental Sets

The Board considered that AGT should have filed new Basic Tariffs for these rental telephone sets upon introduction. The Board did not consider that AGT's competitive position would be adversely affected and directed AGT to file tariffs for these services as part of its Basic Tariff.

(C) CENTRON

Because CENTRON competes with PABX's offered by others in the terminal market, the Board did not consider it appropriate to move the service to the Basic Tariff. However, because AGT offers certain Basic services bundled with the Non Basic CENTRON rate, AGT was directed to file tariffs for those Basic services which are associated with CENTRON.

(10) **SYSTEM INTERCONNECTION**

(A) Private Line Interconnection

The Board recognized that AGT's tariff was different in concept and structure from other companies offering this service but did not consider this sufficient reason for denial of AGT's proposal. The Board did not consider that it would serve any useful purpose for interconnected carriers to report on the type, location and revenues of their private line services. AGT was directed to refile the tariff for this service with these reporting requirements deleted.

(B) Mobile System Interconnection

The Board approved the rates and terms and conditions of service for these services but directed AGT to file, at the time of its next rate application, information on the number of customers who apply for service under the RCC tariff and on the amount of traffic generated by such customers.

(C) Switched System Interconnection

Since there was insufficient evidence filed in support of permitting switched system interconnection with AGT's network, the Board did not consider that such interconnection should be approved.

(11) **RESALE AND SHARING**

The Board approved AGT's proposals with respect to resale and sharing and directed AGT to report, at the time of its next general rate application, the effect of its proposals on residential customers.

(12) **SURPLUS REVENUES AND THE INTERIM REBATE**

(A) Services to Which Refund is Applied

Under value of service pricing and in the absence of definitive cost of service studies, the Board considered that refunds or credit/deficiency riders must be applied across all services. The Board directed AGT to make refunds from its 1986 and 1987 surpluses, to those services to which it is practical. This refund will be in the same proportion as those services which have already received refunds. Any over or under refunding of the 1986 and 1987 surpluses may be subtracted from any surpluses that may be determined for the test years 1988, 1989 and 1990 in its forthcoming general rate application.

(B) 1988 Matters

In view of Decision E88102, dated December 21, 1988, which ordered that AGT submit a general rate application for the test years 1988, 1989 and 1990, all matters relating to 1988 arising from this application will be dealt with as part of these forthcoming proceedings.

(C) Reconciliation of 1986, 1987 and 1988 Surpluses

The Board will expect an accounting of the total amount refunded to customers in the evidence submitted in AGT's next general rate application.

(13) **RATES TO MEET REVENUE REQUIREMENT**

(A) General

Although AGT omitted the effects of two rate changes on its calculation of its revenues, the Board did not consider the net effect of these changes to be material. The Board considered that AGT's estimate of revenue losses from resale and sharing and

systems interconnection to be too high and directed AGT to track its actual revenue losses due to these two proposals.

(B) Elasticities

AGT's estimates of toll service demand elasticity were accepted for the purpose of this application but AGT was directed to measure the actual stimulation which resulted from its interim rate reductions and to use these results in future rate applications. The Board was not persuaded that AGT's method of using a phased-in elasticity to generate annualized rates was suitable for on-going use. However, in view of the Board's direction to AGT to submit a general rate application for the test years 1988, 1989 and 1990, the Board did not direct AGT to redesign rates but would review the matter in this next application.

(C) Cost of Service Studies

The Board expressed its concern with the lack of cost information presented in evidence in view of the fact that some cost of service data is available for use of the Telecom Canada Settlement Plan. The Board expects that AGT will make all such information available prior to the Board's consideration of AGT's Phase II evidence in its next general rate application.

1.03 (a) RE87090/E3.4.87(1)(c)-2/Alberta Government Telephones

(b) Determining and fixing the amount of intervenors' costs relating to Alberta Government Telephones' (AGT) Mandatory ILS Application.

(c) Decision E88020 dated April 8, 1988, fixed and approved for payment by AGT intervenors' costs in the sum of $3,492.10. Costs claimed were in the sum of $6,184.54.

1.04 (a) RE87093/3.4.89-78/Alberta Government Telephones

(b) For an interim change in rates in Alberta-Telecom Canada Message Toll Service (MTS), Alberta-Saskatchewan MTS, Alberta-Hawaii MTS, WATS and 800 Services.

(c) Application withdrawn by letter dated June 21, 1988.

1.05 (a) RE88077/E3.4.89-79/Alberta Government Telephones

(b) Application by the City of Calgary pursuant to Sections 72, 79 and 81 of the Public Utilities Board Act requesting the Board to order Alberta Government Telephones (AGT) to submit a general rate application for the test year 1988.

(c) Order E88102 dated December 21, 1988, approved the application.

This application arose from AGT's general rate application for the years 1986 and 1987 and evidence presented in the Phase II hearing related to that application. As a consequence of implementing 1987 rates by August 1, 1988, AGT had determined an amount for surplus revenues for the year 1988. The Board concluded that a just and reasonable determination of the 1988 surplus revenues could not be made without recourse to a general rate application. The Board also considered that AGT should be placed in a circumstance where it would be regulated on a prospective basis. Therefore, the test periods to be examined in the general rate application should be 1988, 1989 and 1990.

The Board also concluded that it would be more appropriate to deal with 1988 issues in the context of a 1988 general rate application. The Board directed AGT to file evidence in support of its projected treatment of the effect of any refunds to customers on the Telecom Canada Revenue Settlement Plan. Therefore, AGT was ordered to file with the Board, by June 1, 1989, complete information and data to enable the Board to set just and reasonable rates, tolls and charges; proper and adequate rates and methods of depreciation and amortization; just and reasonable terms and conditions of service and quality of service; and the proper regulatory treatment of the effect of refunds on the Telecom Canada Revenue Settlement Plan. AGT was also ordered to estimate any excess revenues that may exist for the test year 1988 and provide a method for refunding these on an interim basis to customers.

SECTION 2: PUBLIC UTILITIES
Electric

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/REGULATED ENTITY
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

2.01 (a) RE88090/E3.9.89-1/AEC Power Ltd.

(b) For approval of a change in rates.

(c) Application withdrawn December 30, 1988.

2.02 (a) RE86037/E3.5.89-50B (Costs)/Alberta Power Limited

(b) Determining and fixing the amount of intervenors' costs relating to Alberta Power Limited (APL) Mini Phase II 1986/87 – General Rate Proceedings.

(c) In Decision E88045 dated May 10, 1988, the Board fixed and approved for payment by APL, intervenors' costs in the amount of $84,868.93.

2.03 (a) RE87045/E3.5.89-50A R.V./Alberta Power Limited

(b) In the matter of determining and fixing the amount of intervenors' costs and external costs of Alberta Power Limited (APL) in respect of the review and variance of the APL 1986/87 General Rate Application, being Decision E87025 dated April 2, 1987.

(c) In Decision E88043 dated May 10, 1988 the Board found that the costs claimed by the Municipal Intervenors, the Colleges and Hospitals, the Federation of Rural Electrification Association and the Alberta Association of Municipal Districts and Counties were consistent with the value of the assistance provided to the Board, and thus were reasonably and necessarily incurred.

The Board also considered that APL's external costs were reasonably and necessarily incurred. With respect to the costs claimed by the Industrial Power Consumers Association of Alberta (IPCAA), the Board found that even after the removal of costs in the amount of $1,923.32 which counsel stated related to another hearing, remaining costs in the amount of $8,734.12 were excessive considering the value of the assistance provided to the Board. Accordingly, the Board found that a reduction in preparation time for Mr. McLarty and Mr. Delemarre was appropriate, given the complexity of the issues addressed and the assistance rendered to the Board. In consideration of the above, IPCAA's costs were reduced by the Board to $6,314.12.

2.04 (a) RE87126/E3.5.89-52/Alberta Power Limited

(b) For approval of changes to temporary refund Rider "J" (1986/1987 excess revenue refund).

(c) The Board, in Order E88015 dated January 29, 1988 approved Alberta Power Limited's request to terminate Rider "J" effective February 1, 1988. Order E88015 amended Order E87132 dated December 29, 1987 which approved the continuation of Rider "J" to the end of March 1988.

2.05 (a) RE88005/E3.5.6/86/Alberta Power Limited

(b) Application pursuant to Section 84(2) of the Public Utilities Board Act, for an increase in rates to collect the 1986 Electric Energy Marketing Agency (EEMA) adjustment amount.

(c) In Order E88016 dated January 29, 1988, the Board approved an increase in rates for Alberta Power Limited by way of a temporary surcharge rider (Rider "M") effective February 1, 1988, to give effect to adjusted EEMA prices arising from Board Decisions E87048 dated June 16, 1987 and E87100 dated December 18, 1987.

2.06 (a) RE88011/E.3.5.89-53/Alberta Power Limited

(b) For approval of a temporary surcharge Rider "J".

(c) (1) **General**

Order E88034 dated April 27, 1988 approved a temporary surcharge Rider "J", effective May 1, 1988, for recovery of an over refund of 1986 and 1987 excess revenues by Alberta Power Limited (APL).

(2) **Costs**

In Order E88065 dated October 26, 1988, the Board fixed and approved for payment by APL intervenors' costs in the sum of $11,502.63. The Board considered that preparation time claimed by the Industrial Power Consumers Association of Alberta (IPCAA) with respect to their consultant and their legal counsel was disparate and excessive in view of the nature and degree of complexity of the issues, and the overall nature of the presentation in aiding the Board in its deliberations. Accordingly the Board reduced IPCAA's claim for costs by

$6,429.38. Costs claimed by all intervenors were in the sum of $17,932.01.

2.07 (a) RE88043/RE88054/E3.5.89-54/E3.5.89-56/Alberta Power Limited

(b) For approval of a change in rates relating to the Town of Beaverlodge and the Town of Sexsmith because of changes in the revenue tax rates.

(c) Approved/E88086 dated October 24, 1988.

2.08 (a) RE88050/RE88063/E3.5.89-55/E3.5.89-57/Alberta Power Limited

(b) For approval of a change in rates relating to the Village of Hythe and the City of Lloydminster because of changes in the revenue tax rates.

(c) Approved/E88099 dated December 14, 1988.

2.09 (a) RE88055/E3.5.3/89/Alberta Power Limited

(b) Filing re: setting the prices at which Alberta Power Limited shall sell electric energy to the Electric Energy Marketing Agency for 1989.

(c) In process at year-end.

2.10 (a) RE88073/RE88081/E3.5.87(1)(e)-33/E3.5.87(1)(e)-34/Alberta Power Limited

(b) For an Order approving the purposes of, and authorizing the issue of 5,005,000 Common Shares in the amount of $75,075,000 and of an 11.25% Debenture 1988 Series in the principal amount of $10,000,000 to Canadian Utilities Limited.

(c) Approved/E88103 dated December 14, 1988.

2.11 (a) RE88076/E3.5.89-59/Alberta Power Limited

(b) For approval of a change in the method for calculating income taxes for equity AFUDC.

(c) In process at year-end.

2.12 (a) RE88079/E3.5.89-60/Alberta Power Limited

(b) For approval of a change in rates relating to the Town of Rainbow Lake because of a change in the revenue tax rate.

(c) In process at year-end.

2.13 (a) RE87099/E3.8.2/Southern Utilities Company Limited

(b) Complaint by the Village of Coutts respecting billing demand charges associated with pumphouse facilities.

(c) Withdrawn by letter dated October 4, 1988.

2.14 (a) RC86004/E3.6.89-18/TransAlta Utilities Corporation

(b) For an order amending the Franchise Agreement between TransAlta Utilities Corporation (TransAlta) and Her Majesty the Queen in the Right of Canada, represented by the Minister of Environment by deleting a clause in the Franchise Agreement which provides that a street lighting surcharge equal to TransAlta's total cost of operating and maintaining the street lighting system in the Banff Townsite shall be paid in equal shares by each customer in the Townsite, including the Minister, and amending the Agreement so that the Minister shall pay TransAlta's street lighting charges.

(c) Withdrawn/December 1, 1988.

2.15 (a) RE87100/E3.6.89-16B R.V./TransAlta Utilities Corporation

(b) Application by Leth's Turkey Farm Ltd. for a Review and Variance (R & V) of Board Decisions E86005 dated January 14, 1986 and E86051 dated August 29, 1986. The Applicant had constructed and operated a wind powered electrical generator near his farm yard. TransAlta Utilities Corporation was banking the generated electricity against one of the five electric services providing power to the Applicant's yard. The Applicant contended that, due to his unique circumstances, he should be permitted to bank the electricity generated by his wind powered generator against the total electric consumption of all of the electric services in his yard. The Applicant suggested that, due to the close proximity of the services to each other, that the five transformers located in his yard constitute one unit for banking purposes. The Application for the R & V was based on the premise that Board Decisions E86005 and E86051 did not address the issues of banking or customer generated power in general.

It was considered more appropriate to deal with this matter as an extension of Energy Resources Conservation Board (ERCB) Order D84-12 that approved "banking" rather than an R & V of Board Decisions E86005 and E86051.

(c) In Order E88047 dated June 3, 1988, the Board considered that "banking" against multiple services would be appropriate in certain unique circumstances when all of the following criteria are met:

(i) it is technically feasible to install a single meter which would effectively combine all of the services into a single service with a single point of delivery.

(ii) all of the services are on contiguous property under the control of the owner of the wind powered generator.

(iii) all of the services are on the same retail rate.

The configuration of the Applicant's services essentially meets these criteria. The extension of banking to include all of the electric services located within the Applicant's yard is effective October 1, 1987 and in this situation, multiple services will be deemed to be a single service for banking arrangements only.

2.16 (a) RC88012/C3.6.87(1)(e)&(g)-12/TransAlta Utilities Corporation

(b) For an Order to increase the aggregate amount of Medium Term Secured Debentures, Series A from $150,000,000 to $200,000,000 and to approve the purposes of, and to authorize the issue of the additional Debentures.

(c) Approved/C88014 dated June 13, 1988.

2.17 (a) RC88014/C3.6.87(1)(e)&(g)-13/TransAlta Utilities Corporation

(b) For an Order approving the purposes of, and authorizing the issue of $100,000,000 principal amount of 10 3/8% Secured Debentures Series "N".

(c) Approved/C88019 dated June 23, 1988.

2.18 (a) RC88024/C3.6.87(1)(e) & (g)-14/TransAlta Utilities Corporation

(b) For an Order approving the purposes of, and authorizing the issue of $100,000,000 principal amount of 10 3/8% Secured Debentures, Series O.

(c) Approved/C88028 dated November 22, 1988.

2.19 (a) RE88057/E3.6.3/89/TransAlta Utilities Corporation

(b) Filing re: setting the prices at which TransAlta Utilities Coporation shall sell electric energy to the Electric Energy Marketing Agency for 1989.

(c) In process at year-end.

2.20 (a) RE88069/E3.6.89-19/TransAlta Utilities Corporation

(b) Application by the Industrial Power Consumers Association of Alberta pursuant to Sections 79 and 81 of the Public Utilities Board Act for the Board to investigate all matters relating to the tolls and charges demanded by TransAlta for 1988.

(c) Order C88027 dated November 14, 1988 approved the application.

Since only the utility can determine the likely results of its operations, the Board considered it should not expect an Applicant to meet a strict onus of proof in such an application. However, given the expense and effort required for a general rate application, the Board will not ordinarily exercise its discretion under Sections 79 and 81 of the Public Utilities Board Act unless it finds there is a reasonable expectation that a net benefit will accrue to some or all of the utility's customers.

Based on the evidence before it, the Board was of the opinion that the return which TransAlta could expect from currently approved rates might be in excess of that which would be approved by the Board. Moreover, the Board noted there was a strong likelihood that TransAlta would file a general rate application for the 1989 and 1990 test years, and considered that there would be no substantial additional expense in including an examination of the 1988 test year. Therefore TransAlta was ordered to file with the Board by May 1, 1989 complete data and information to enable the Board to set just and reasonable rates, tolls and charges; proper and adequate rates of depreciation and amortization; and just standards, regulations and practices for the 1988, 1989 and 1990 test years.

SECTION 3: PUBLIC UTILITIES
Water

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

ITEM NUMBER

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/REGULATED ENTITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

3.01 (a) RE88066/E3.318.2/Acheson Park Water Corporation

(b) Complaint by Revelstoke Concrete Inc. et al respecting the rates, tolls and charges of Acheson Park Water Corporation.

(c) In Order E88087 dated October 24, 1988 the Board found Acheson Park Water Corporation to be a public utility within the meaning of the Public Utilities Board Act. It was determined that the Board would conduct a review of the affairs of the Company pursuant to Sections 72 and 86(2) of the Public Utilities

Board Act. Upon completion of the review, the hearing of the complaint would be reconvened. This review was in process at year-end.

SECTION 4: GAS UTILITIES

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/REGULATED ENTITY
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

4.01 (a) RE88010/E4.5.35-20 R.V.-3/Bonnyville Gas Company Limited

(b) For a review and variance of Decision E86016 dated April 21, 1986, requesting a change in rates to recover income taxes for the years 1984 through 1986.

(c) Order E88032 dated March 17, 1988 approved a temporary rate rider on consumption from August 1, 1988 through July 31, 1989 to provide for the recovery of income taxes for the years 1984 through 1986, arising from a reassessment by Revenue Canada.

4.02 (a) RE88051/E4.5.35-21/Bonnyville Gas Company Limited

(b) For approval of a credit rider of $0.0356 per Mcf on all gas consumption as a result of over-recovery of royalties and for approval of a rider of $0.0136 per Mcf on gas consumption in the Town of Bonnyville only, to recover distribution system tax, for the period of August 1 to December 31, 1988.

(c) Approved/E88070 dated September 2, 1988.

4.03 (a) RE88071/E4.5.35-22/Bonnyville Gas Company Limited

(b) For approval of a change in rates.

(c) In process at year-end.

4.04 (a) RE88003/E4.6.25/Border Utilities Ltd.

(b) Application by Canadian Western Natural Gas Company Limited (CWNG) as agent for Border Utilities Ltd. (Border) for:

(1) (A) Approval of the transfer of all of the shares of Border's capital stock to CWNG.

(B) Consent of the union of CWNG and Border.

(C) Approval of the reduction of the rates, tolls and charges of Border and approval of Service Regulations for Border.

(D) A declaration that the purchase price paid by CWNG for Border's shares represented a prudent acquisition cost to CWNG for Border's assets.

(2) (A) Consent of the Board pursuant to Section 99 of the Public Utilities Board Act (the PUB Act), to the union resulting from the amalgamation of the parties.

(B) Approval of the Board for the merger of the parties pursuant to Section 25.1(d)(2) of the Gas Utilities Act (the GU Act).

At the hearing of November 22, 1988, counsel verbally amended the application and applied for an exemption pursuant to Section 71(1)(c) of the PUB Act and Section 3(1)(c) of the GU Act from the provisions of Section 99 of the PUB Act.

(c) (1) Decision E88031 dated March 21, 1988 provided reasons for the Board's decisions in the applications noted under (1) above.

(A) In Order E88035 dated March 21, 1988, the Board authorized Border to make on its books a transfer of the outstanding shares of Border's capital stock to CWNG.

(B) In Order E88033 dated March 16, 1988, the Board granted its consent to the union of Border and CWNG as occasioned by the acquisition of all of the issued shares of Border by CWNG.

(C) In Order E88036 dated March 21, 1988 the Board approved a decrease in the rates of Border and approved Natural Gas Service Regulations for Border. In view of the Board's approval of the transfer of shares from Border to CWNG in Order E88035 dated March 21, 1988, the Board considered it appropriate that the rates and service regulations for Border be the same as those of CWNG.

(D) In regards to the application by CWNG for a declaration that the purchase price paid by CWNG for Border's shares represented a prudent acquisition cost to CWNG for

Border's assets, the Board considered that the question of prudency should await disposition to a time when the Board established the rate base when determining just and reasonable rates for all customers of CWNG.

(E) With respect to costs, the Board determined that there would be no external costs awarded applicants in this case nor costs to intervenors.

(c) (2) In Decision E88093 dated November 22, 1988, the Board approved the merger of CWNG and Border as occasioned by the amalgamation of the companies and declared that, for the purposes of this transaction, the provisions of Section 99 of the PUB Act did not apply to CWNG and Border.

4.05 (a) RE88064/E4.23.3(1)(b)/Canadian-Montana Gas Company Limited

(b) For an order declaring that, for the purposes of the Public Utilities Board Act and the Gas Utilities Act, the Applicant is not an owner of a public or a gas utility.

(c) In process at year-end.

4.06 (a) RE88065/E4.23.24(1)(g)/E6.405.5-4/Canadian-Montana Gas Company Limited

(b) For approval of a sale of assets to Forty Mile Gas Co-op and approving the termination of the franchise agreement with the Municipal District of Forty Mile No.2.

(c) In process at year-end.

4.07 (a) RE87036/E4 3 26-1/E4.7.35-48/Canadian Western Natural Gas Company Limited

(b) Application by Northridge Petroleum Marketing Inc. for an Order from the Board directing Canadian Western Natural Gas Company Limited to provide transportation for gas supplied to the plant owned by IKO Industries Limited in Calgary.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.08 (a) RE87041/E4.7.35-49/E4.14.35-66B/Canadian Western Natural Gas Company Limited

(b) Application by Northridge Petroleum Marketing Inc. for an Order directing Canadian Western Natural Gas Company Limited to provide transportation service for gas supplied to the plant owned by Alberta Sugar Company in Taber, Alberta.

(c) By letter dated August 9, 1988, Alberta Sugar Company withdrew its application.

4.09 (a) RE87048/E4.7.35-50/Canadian Western Natural Gas Company Limited

(b) For an Order or Orders of the Board approving both a decrease in Canadian Western Natural Gas Company Limited's (CWNG) sales rates of 20 cents per GJ for consumption on or after July 1, 1987 and establishing procedures for Deferred Gas Accounting (DGA) and Reconciliation of natural gas supply costs.

(c) (1) **General**

In Order E87052 dated July 3, 1987, the Board approved the gas cost reduction proposed by CWNG and as well approved in principle CWNG's proposal for DGA and Reconciliation procedures, considering that the details and approval of these procedures would be addressed in a future proceeding of the Board.

Order E88019 dated March 18, 1988, provided reasons for the approval given by the Board in Order E87118 dated December 2, 1987 in respect of CWNG's DGA and Reconciliation procedures.

(2) **Deferred Gas Accounting**

Since the DGA and Reconciliation procedures give effect only to the changes in the price of natural gas, shareholders would not benefit nor be penalized as a result of price changes in the cost of gas. In this respect, the situation is similar to the pre-deregulation era. The risk respecting a volume variance, however, still remains with the shareholders inasmuch as any gain or loss on a margin variance is borne by the shareholders.

(3) **Gas Cost Recovery Rate**

When an application is received to change the Gas Cost Recovery Rate (GCRR), it would be necessary to examine the projected costs and those costs related to the period under review. To monitor amounts accumulating in the DGA, CWNG was directed to file each month a reconciliation of gas cost recoveries versus the actual gas costs.

(4) **October 31, 1987 Balance in Deferred Gas Account**

The Board approved a one time refund of $11.3 million in the DGA as at October 31, 1987. The

refund was to be made in large part to all customers on record as at December 1, 1987. In the future, should such over-collections be significant, the Board may direct the payment of interest on refunds.

4.10 (a) RE87051/E4.7.35-53/Canadian Western Natural Gas Company Limited

(b) Application by Palliser Distillers Limited for an Order directing Canadian Western Natural Gas Company Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.11 (a) RE87052/E4.7.35-54/Canadian Western Natural Gas Company Limited

(b) Application by Alberta Distillers Limited for an Order directing Canadian Western Natural Gas Company Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.12 (a) RE87056/E4.7.35-58/Canadian Western Natural Gas Company Limited

(b) Application by Canbra Foods Ltd. for an Order directing Canadian Western Natural Gas Company Limited to provide gas transportation service.

(c) By letter dated December 2, 1988 the Applicant withdrew its application.

4.13 (a) RE87059/E4.7.35-60/Canadian Western Natural Gas Company Limited

(b) Application by Canada Packers Inc. for an Order directing Canadian Western Natural Gas Company Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.14 (a) RE87062/E4.7.18/Canadian Western Natural Gas Company Limited

(b) For permission to use roadways in the Municipal District of Kneehill No. 48 for the placing of its pipes and prescribing the terms and conditions of service.

(c) Application withdrawn at applicant's request as a negotiated settlement was achieved by parties.

4.15 (a) RE87103/E4.7.58/Canadian Western Natural Gas Company Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers, arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1986 to December 31, 1986.

(c) Approved/E88010 dated January 28, 1988.

4.16 (a) RE87104/E4.7.58/Canadian Western Natural Gas Company Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers, arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1987 to March 31, 1987.

(c) Approved/E88011 dated January 28, 1988.

4.17 (a) RE88012/E4.7.35-69/Canadian Western Natural Gas Company Limited

(b) For an Order of the Board approving a reconciliation of actual gas costs with actual gas cost recoveries for the period January 1, 1987 to October 31, 1987, and an amended Gas Cost Recovery Rate (GCRR) for the 1988 Summer Season (April 1 to October 31, 1988 inclusive), which would give effect to any outstanding balance in the Deferred Gas Cost Account at October 31, 1987 and to the revised forecast of the 1988 Summer Season gas supply costs.

(c) Interim Order E88038 dated March 29, 1988, approved a GCRR of $1.392 per GJ for all consumption on or after April 1, 1988 to October 31, 1988 inclusive. The revised 1988 Summer GCRR was 3.5 cents/GJ lower than the GCRR of $1.427/GJ approved in Interim Order E87118 dated December 2, 1987.

4.18 (a) RE88020/E4.6.35-16/Canadian Western Natural Gas Company Limited

(b) Application on behalf of Border Utilities Ltd. (Border), to fix new summer rates.

(c) In Decision E88041 dated April 27, 1988, the Board approved the rate schedules as set out in the Application.

4.19 (a) RE88021/E4.7.58/Canadian Western Natural Gas Company Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers, arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1987 to December 31, 1987.

(c) Approved/E88094 dated November 28, 1988.

4.20 (a) RE88037/E4.7.35-70/Canadian Western Natural Gas Company Limited

(b) Application by the Calgary District Hospitals Group, et al. for an Order directing Canadian Western Natural Gas Company Limited to provide gas transportation service.

(c) Adjourned sine die.

4.21 (a) RE88040/E4.7.35-71/Canadian Western Natural Gas Company Limited

(b) Application by Western Canada Steel Limited for an Order from the Board directing Canadian Western Natural Gas Company Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.22 (a) RE88042/E4.7.35-72/Canadian Western Natural Gas Company Limited

(b) Application by Manville Canada Inc. for an Order directing Canadian Western Natural Gas Company Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.23 (a) RE88060/E4.7.35-73/Canadian Western Natural Gas Company Limited

(b) For an Order of the Board approving a reconciliation of the actual gas costs with actual gas cost recoveries for the period November 1, 1987 to March 31, 1988 and an amended Gas Cost Recovery Rate (GCRR) for the 1988/1989 Winter Season (November 1, 1988 to March 31, 1989, inclusive), which would give effect to the revised forecast of the 1988/1989 Winter Season gas supply costs.

(c) Interim Order E88078 dated October 24, 1988, approved a GCRR of $1.606 per GJ for all consumption on or after November 1, 1988 to March 31, 1989 inclusive. The revised 1988/1989 Winter GCRR was 10.8 cents/GJ lower than the GCRR of $1.714/GJ approved in Interim Order E87118 dated December 2, 1987.

4.24 (a) RE88072/E4.7.24(1)(e)-26/Canadian Western Natural Gas Company Limited

(b) For an Order approving the purposes of, and authorizing the issue of an 11.25% Debenture 1988 Series in the principal amount of $15,000,000 to Canadian Utilities Limited.

(c) Approved/E88104 dated December 14, 1988.

4.25 (a) RE88082/E4.7.58/Canadian Western Natural Gas Company Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers, arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1988 to March 31, 1988.

(c) Approved/E88095 dated November 28, 1988.

4.26 (a) RE87036/E4.3.27/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Applications for costs arising from the adjournment of the August 10, 1987 hearing into certain applications for natural gas transportation service from Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited.

(c) Decision C88007 dated March 8, 1988, denied the applications for costs arising from the adjournment of the August 10, 1987 hearing. The Board was not persuaded by the evidence presented that a substantial cost burden arose as a result of the adjournment, and the Board considered that the adjournment was in the best interests of all parties.

4.27 (a) RE87053/E4.7.35-55/E4.14.35-61/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Application by Alberta Dehy Association for an Order directing Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.28 (a) RE87054/E4.7.35-56/E4.14.35-62/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Application by Maple Leaf Mills Limited for an Order directing Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.29 (a) RE87055/E4.7.35-57/E4.14.35-63/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Application by Lethbridge Brewery for an Order directing Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.30 (a) RE87058/E4.7.35-59/E4.14.35-65/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Application by CBR Cement Canada Limited for an Order directing Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.31 (a) RE87036/RE87051/RE87052/RE87059/RE88040/RE88042/Canadian Western Natural Gas Company Limited

RE87042/RE87057/Northwestern Utilities Limited

RE87053/RE87054/RE87055/RE87058/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Applications for transportation service (T-service) by certain industrial customers served from the distribution systems or transmission systems (and consuming less than 300,000 GJ per annum) of Northwestern Utilities Limited (NUL) and Canadian Western Natural Gas Company Limited (CWNG).

(c) (1) **General**

Interim Order E88075 dated October 24, 1988 set out the Board's conclusions in respect of the T-service applications. In Decision E88090 dated November 18, 1988 the Board provided the reasons for its findings.

(2) **Definition of Industrial Customers**

CWNG/NUL contended the Joint PUB/ERCB Report E87128/87-C definition of an "industrial" customer which included manufacturing and processing customers, could also fit the definition of a "commercial" customer and a clear definition was required. The Board considered that it would be inappropriate to review this matter since none of the Joint Report recommendations have been endorsed by the Alberta Government, and further that any Rate 2 industrial customer is also eligible for T-service. Accordingly, there was no need to change the definition of industrial customer as set out in Report E87128/87-C.

(3) **Balancing Provisions and Settlement Penalties**

CWNG/NUL proposed no penalties for imbalances up to ±10% of the daily takes. For daily imbalances between ±10% and ±15%, CWNG/NUL proposed to purchase (sell) such imbalances at the lowest (highest) unit cost of purchases for the month. For imbalances greater than ±15%, the proposal was to purchase (sell) at one-half the minimum (two times the maximum) unit cost of purchases for the month. Respecting month-end operating units, CWNG/NUL proposed that the cumulative monthly imbalances in excess of ±5% of the total net monthly deliveries would be purchased (sold) at the minimum (maximum) unit cost.

The Board did not approve the proposed daily balancing provisions and penalties. Such penalties were considered to be too onerous and could prevent access to T-service. Further the extent of costs imposed as a result of imbalances may not be significant considering that the Rate 3 and 8 sales customers contribute only 2.6% of the system throughput. The exact imbalances are not known until several weeks after the fact and hence hinder the customer's ability to balance his load to avoid the proposed daily imbalance penalties.

In recognition of the costs (although unquantifiable) imposed to balance the overall system, the Board suggested that CWNG/NUL monitor the imbalance situation caused by each customer. In case of a persistent "draft" situation, the Board suggested that the customer either prepay an estimated amount or provide a pool of gas supply to cover the cost of his daily/weekly average imbalance quantity. In case of a persistent "pack" situation, the Board suggested the utilities purchase the imbalance quantity at 0.75 times the Gas Cost Recovery Rate (GCRR).

The month-end tolerance limits of ±5% of total net monthly imbalances were considered reasonable. However, for net monthly imbalances greater than ±5%, the under-deliveries (draft) should be sold at 1.3 times the GCRR while the over-deliveries (pack) should be purchased at 0.75 times the GCRR.

(4) **Proposed Rate 13**

The utilities proposed that T-service to small industrial customers be provided at the approved Rate 3 charges less the GCRR (ie. a margin rate). The Board considered it appropriate to use a margin rate as a transitional step towards a cost based T-rate for small industrial customers. However, the proposed Rate 13 included costs not directly related to T-service. Accordingly, costs related to production, gathering and storage were deducted from the proposed Rate 13.

(5) **Charges for Points of Receipt and Delivery**

Similar to the existing T-rates for large industrial customers, the proposed Rate 13 had a fixed customer charge for each point of receipt plus a demand charge and the variable charge that was applicable to each GJ at the point of delivery. Since there are customer costs associated with each point of receipt, the Board accepted NUL's proposal in this respect. In response to certain intervenors' submissions that CWNG/NUL offer to deliver gas to multiple delivery points the Board considered that the utilities should provide this service. Since the delivery charge is a variable charge, the utilities would be fully recovering their costs. If there are additional costs caused by operational constraints in providing service at multiple delivery points, the utilities should address this matter at the Phase II portion of the next General Rate Application (GRA).

(6) **Overrun Service**

(A) Contract Demand

While NUL, in its 1987/1988 GRA proposed to change the determination of the billing demand from a 12 hour to a 24 hour basis, CWNG's proposal was not to make a similar change until its next GRA. Considering that both utilities should have similar provisions in this regard, CWNG was directed to file interim rates based on a 24 hour contract demand effective January 1, 1989.

(B) Authorized Overrun

The utilities proposed only to allow authorized overrun during the summer months of May through October at the customer's request if capacity is available. Respecting the winter months, the utilities submitted that the system is designed such that significant capacity is not available. The Board considered that to the extent capacity is available, and it is practical to do so, the utilities should provide authorized overrun service on an interruptible basis during the winter months (November through April).

(C) Unauthorized Overrun

Certain intervenors considered as excessive and discriminatory the utilities' proposal that charges for each occurrence of an unauthorized overrun should be the annual demand charge applied to each GJ of unauthorized overrun. While the Board considered that a T-customer should pay for capacity reserved and dedicated to him and that the utilities' responsibility is to ensure availability of sufficient capacity to meet requirements of all customers, the proposed penalties for unauthorized overrun were considered too severe. The Board considered that the charges for the first occurrence of an unauthorized overrun should be the annual demand charge applied to the unauthorized overrun quantity. For subsequent occurrences, to the extent the overrun quantity exceeded the previously set highest level of unauthorized overrun (the "excess") the annual demand charge should be applied to each GJ of the "excess" overrun.

Since revenues from such unauthorized overruns or interruptible T-service were not

forecast, the Board directed the utilities to set up a "Transportation Reserve Account" to account for such revenues.

(7) **Transportation Rate for Rate 2 Customers**

Certain intervenors considered that the utilities should offer a T-rate which is a counterpart of Rate 2. It was argued that to charge Rate 2 customers (if they became T-customers) as if they had the characteristics of Rate 3 customers was discriminatory. The Board noted that even though Rate 2 did not have a separate demand charge, the assigned costs of pipeline capacity are recovered from the Rate 2 customers. As a transitional step, Rate 2 customers have the option of seeking T-service under Rate 13. The Board directed the utilities, however, to address the Rate 2 customers' concerns prior to the commencement of the next gas contract year but not later than June 30, 1989.

(8) **Interruptible Service**

While the utilities proposed firm service for transportation of natural gas owned by others with a minimum contract term of one year, certain intervenors requested interruptible service for terms of less than one year. The Board considered that since the utilities' gas systems are operating at near full capacity, they should be prepared to provide interruptible service. The utilities were therefore directed to file interruptible service rates (from either the distribution or transmission system) for a term of less than one year to be effective January 1, 1989.

(9) **Notice of Transfer Between Services**

To adequately adjust gas supply requirements in the event there is a major migration of customers from sales to T-service (or vice versa), CWNG/NUL proposed customers provide a 15 month notice in advance of a transfer. The Board noted that Report E87128/87-C stated that a customer returning from T-service to sales should pay the fair and reasonable incremental costs associated with his return. The Board therefore considered that a six month notice should be sufficient to enable the utilities to plan and adjust their gas supply portfolio.

(10) **Backstopping**

Should a T-customer's supply fail, the utilities proposed to apply the emergency sales service rate for supplies delivered to that customer. The Board viewed backstopping service as being different from temporary imbalances in the volumes received and delivered by the utilities. Accordingly, backstopping is really applicable and relevant in the case of a failure of the source of gas supply. The utilities' proposals in this respect were therefore found to be reasonable.

(11) **Other Issues**

Since certain issues were addressed both in the Rate 13 proceedings and in NUL's 1987/1988 Phase II GRA, the Board considered that such issues should be dealt with in the forthcoming Phase II Decision. These issues included: Recovery of Municipal Franchise, Buy-Sell Service, Storage, Load Balancing Service, T-Service Regulations.

4.32 (a) RE87061/RE87070/E4.10.35-18/E4.10.35-19/Grande Prairie Transmission Company Limited

(b) Application by Northwestern Utilities Limited (NUL) for a change in rates for natural gas utility service provided by Grande Prairie Transmission Company Limited (GPT) to give effect to a decrease in the cost of gas to GPT and an application dated July 8, 1987 from GPT to amend its rates for gas supplied and service rendered to NUL and Gas Alberta.

(c) Order E88030 dated March 16, 1988, fixed and approved rates to be imposed, observed and followed by GPT for gas consumption on and after November 1, 1986, to give effect to a decrease in the cost of gas to GPT.

4.33 (a) RE87007/E4.15.35-36/ICG Utilities (Alberta) Ltd.

(b) For approval of a decrease in rates.

(c) In process at year-end.

4.34 (a) RE87013/E4.15.35-37/ICG Utilities (Alberta) Ltd.

(b) Filing for approval of T-Service rates as directed by Board Order E86111 dated December 30, 1986.

(c) In process at year-end.

4.35 (a) RE87084/E4.15.35-40/ICG Utilities (Alberta) Ltd.

(b) For approval of a decrease in rates.

(c) In process at year-end.

4.36 (a) RE88019/E4.15.35-41/ICG Utilities (Alberta) Ltd.

(b) For approval of a change in rates relating to the Village of New Sarepta because of an increase in the revenue tax rate.

(c) Approved/E88050 dated June 6, 1988.

4.37 (a) RE88034/E4.15.35-42/ICG Utilities (Alberta) Ltd.

(b) For approval of a change in rates relating to the Village of Fort Assiniboine because of an increase in the revenue tax rate.

(c) Approved/E88056 dated July 5, 1988.

4.38 (a) RE86052/E4.14.35-49/Northwestern Utilities Limited

(b) Application by Amoco Canada Petroleum Company Ltd. for an Order requiring Northwestern Utilities Limited to provide restrictive transportation service.

(c) Final decision pending at year-end.

4.39 (a) RE86102/E4.14.35-52/Northwestern Utilities Limited

(b) Application by Texaco Canada Resources for an Order requiring Northwestern Utilities Limited to provide restrictive transportation service.

(c) Final decision pending at year-end.

4.40 (a) RE86106/E4.14.35-53/Northwestern Utilities Limited

(b) Application by Esso Resources Canada Limited for an Order requiring Northwestern Utilities Limited to provide restrictive transportation service.

(c) Final decision pending at year-end.

4.41 (a) RE86107/E4.14.35-54/Northwestern Utilities Limited

(b) Application by Esso Resources Canada Limited for an interim Order re Rate No. 4 of Northwestern Utilities Limited.

(c) The applicant did not pursue application. The Board advised the applicant by letter dated November 26, 1988 that it was closing its files on the matter.

4.42 (a) RE87035/E4.14.35-58/Northwestern Utilities Limited

(b) Application by the University of Alberta for a declaration from the Board that it is a non-core customer of Northwestern Utilities Limited or alternatively it is entitled to seek its own transportation arrangements.

(c) Adjourned sine die.

4.43 (a) RE87042/E4.14.35-59/Northwestern Utilities Limited

(b) Application by Northridge Petroleum Marketing, Inc. for an Order directing Northwestern Utilities Limited to provide transportation for gas supplied to the facilities owned by Canadian National in Edmonton.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.44 (a) RE87057/E4.14.35-64/Northwestern Utilities Limited

(b) Application by Canadian Forest Products Ltd. for an Order directing Northwestern Utilities Limited to provide gas transportation service.

(c) Interim Order E88075 dated October 24, 1988 and Decision E88090 dated November 18, 1988 were issued respecting this application. See Item Number 4.31.

4.45 (a) RE87065/E4.14.35-66/Northwestern Utilities Limited

(b) For an Order or Orders approving new rates and changes in existing rates, tolls, charges or schedules thereof for natural gas supplied by Northwestern Utilities Limited (NUL).

(c) (1) **General**

(A) Phase I Decision E88018 dated March 18, 1988 determined the rate base, fair return and utility revenue requirement for the test years 1987 and 1988.

(B) Order E88046 dated May 3, 1988 approved, on an interim basis, a 7.7472% deficiency rider applied to the base energy charges, exclusive of the Gas Cost Recovery Rate (GCRR), and to the fixed and demand components of NUL's rates, tolls and charges effective May 1, 1988 to December 31, 1988. NUL had applied for approval of a 13.2552% across-the-board increase to the base energy rates, exclusive of the GCRR, to recover the $6,461,000 net 1987/1988 revenue deficiency approved by the Board in Decision E88018. The extent to which such rates are subject to an adjustment when the final 1988 rates are determined was to be addressed in the Phase II proceedings.

(C) The Board's decision on costs relating to the Phase I proceedings was pending at year-end.

(D) The Board's Phase II decision was pending at year-end.

(2) **Rate Base**

(A) Unforeseen Transmission Special Projects

Based on the actual expenditures in 1987 in this category, the Board increased NUL's forecast of $520,000 to $1,300,000. For 1988, NUL's forecast of $3,200,000 was reduced to $1,800,000 based on the actual results of the five year period 1982-1986.

(B) Capitalized Wages

As a result of the Board's reduction to NUL's forecast of Salaries and Wages, a reduction of $233,000 and $67,000 was made to the forecast of capitalized wages assuming a fringe benefit rate of 22.3%. The Board expressed concern that NUL could not provide information reflecting the split of labour costs between capital and Operating and Maintenance (O&M) Expense and directed NUL to provide such information for the five years preceding the next test year and the amounts forecast for the test years.

(C) Edmonton Bare Mains Program

The Board considered inappropriate NUL's calculation of overhead costs on a base that was made up of direct costs plus a 10% contingency allowance. Accordingly, such an allowance was calculated to be based only on the total construction costs and added as the last item after the overheads, reducing capital costs by $213,000 and $223,000 for 1987 and 1988 respectively.

(3) **Accumulated Depreciation**

(A) Life Span (Truncation) vs. Total Life Basis

The current method, Total Life Basis whereby assets are depreciated over their respective lives, was submitted by NUL to be inappropriate since it does not recognize the eventual exhaustion of natural gas reserves and recommended that the Life Span (Truncation) method be in place. Since the underlying assumptions in the proposed method are subject to change (e.g. exhaustion of natural gas estimate changed from the 1980 to the 1985 Study from 40 to 75 years), and considering the minimal impact on the revenue requirements ($72,000 in 1987 and $78,000 in 1988), the Board denied the proposed change.

(B) Net Salvage

The incorporation of the net salvage amounts in the depreciation rates was approved in principle by the Board. The Board noted that negative net salvage amounts should be spread over the assets' remaining life so that inter-generational equity is preserved.

Considering that NUL had not addressed the alternate uses of the salt cavern facilities at the end of their service lives other than abandonment, the Board reduced the net (negative) salvage percentages by one half of the amounts requested.

The sinking fund method of accounting for net salvage was considered to result in the same level of revenue requirement as NUL's method. In view of the the lack of detailed evidence in this matter, NUL was directed to address the suitability of this method at its next General Rate Application (GRA). Further, NUL was directed to accumulate the net salvage provision in an account separate from accumulated depreciation.

(C) Amortization of Reserve Differences

NUL proposed that the current method of amortizing the reserve differences over the asset's remaining life be discontinued in favour of a ten year period of amortization. The Board noted that this proposal had been rejected by it in Decisions E84073 and E87002. The Board was not convinced with NUL's additional reasons submitted for a ten year amortization period and accordingly rejected the proposal.

(4) **Necessary Working Capital**

(A) Method of Calculation

Certain Intervenors argued that Necessary Working Capital (NWC) be calculated using the accounting definition of Working Capital, i.e. current assets less current liabilities. The Board noted that this method results in a swing of approximately $24 million from 1987 to 1988 (negative $11 million to positive $13 million). The Board considered that excepting unusual circumstances, a chosen method should be expected to give consistent results from year to year and that such results should be consistent with another reasonable method used to determine the NWC.

The Board noted that in certain of its more recent Decisions, a more refined Balance

Sheet has been considered. This approach examines all of the components of the monthly balance sheets to identify those that are related to utility plant, non utility plant, investor supplied and working capital. NUL was directed to reconcile NWC under the lead-lag approach and the refined balance sheet approach.

(B) Common Equity Returns

The inclusion of the lag on common equity return in the lead-lag study was deemed inappropriate by the Federation of Alberta Gas Co-Ops since return is a rate base item and cannot be determined until the books have been closed and its inclusion constitutes a prepayment on an investment. The IRI stated that inclusion of common equity return increased the effective rate of common equity return.

Inasmuch as the shareholders' investment is used to finance the company's operations, the Board allowed the inclusion of common equity return in the lead-lag study.

(C) Gas Storage Inventories

In view of the lower costs of gas in the summer period when storage caverns are replenished with gas supplies, the Board considered that NUL's use of the $1.819/GJ price to be too high and used instead the summer Gas Cost Recovery Rate of $1.305/GJ approved in Order E87117. A reduction of $3.4 million and $3.0 million to NWC was therefore made.

(D) Over-Collections in the Deferred Gas Account

Considering that NUL had used the over collections to offset its NWC requirements in 1987, and that it had the effective use of such funds, on average, for half of the test year 1987, the NWC was reduced by the mid year balance of the total amount over collected as at October 31, 1987 of $16,015,000 or $8,008,000.

(E) Unbilled Revenues

Since 1987 is a transitional year when the unbilled revenues are being recognized, the Board considered that the mid-year balance of such revenues should be recognized as a reduction of the NWC. Accordingly, the 1987 NWC was reduced by $8,850,000.

(5) **Fair Rate of Return**

(A) No Cost Capital

No Cost Capital was reduced as a result of a reduction in the Reserve for Damages and Injuries of $300,000 in 1987 and 1988.

(B) Common Equity Rate of Return

A return of 13.25% on common equity deemed to finance the rate base was fixed for both 1987 and 1988 having given consideration to all of the rate of return evidence submitted at the proceedings.

(6) **Utility Revenue Requirement**

(A) Gross Gas Supply Expense

The gross gas supply expense was recalculated to give recognition to the lower winter/summer gas prices approved by the Board in Order E87117 and to give effect to the lower than forecast sales per customer in the commercial and residential sales categories. The 1987 and 1988 revenue requirements were therefore reduced by $4,889,000 and $3,332,000 respectively.

(B) Natural Gas Rebates

The Board found that to the extent NUL's forecast called for purchases of gas at prices higher than the Provincial Support Price, its forecast of gas supply expense, which did not incorporate any rebates, should be reduced by $11,155,000 and $7,063,000 for 1987 and 1988 respectively.

(C) Salaries and Wages

NUL's allowance for vacant positions of 1% was increased to 1.5% since the 1% factor was arbitrary and evidence indicated in 1986 the rate was 2% over the long run average since 1982.

Further, amounts sought in respect of "annualization" were deemed unreasonable since this was considered to be a request to compensate NUL for a full compliment of staff for the entire year.

(D) Bad Debt Expense

In view of the decreasing gas costs, increase in labour in credit and collections

and the institution of security deposits for new businesses and based on an examination of the actual expenses over the period 1984 to 1986 inclusive, NUL's forecast bad debt expense was reduced by $180,000 and $210,000 for 1987 and 1988 respectively.

(E) Pension Expense

While NUL had forecast its pension cost expense at $2 million for each of 1987 and 1988, evidence indicated its actual expense would be $606,000. The forecast for each of the test years was accordingly reduced to reflect the actual expense expected to be incurred.

(F) Non-Specific O&M Expenses

For the year 1988, NUL's forecast of the non-specific O&M expense of $350,000 was considered unreasonable since evidence indicated that NUL's system growth would not significantly exceed its forecast growth in 1987. In 1987, NUL had anticipated a negative growth of $476,000 in respect of the non-specific items. NUL's 1988 forecast was therefore denied.

(G) Reserve for Injuries and Damages

The current level of the Reserve for Injuries and Damages at $368,000 was proposed to be increased to $1,200,000 by 1988 due to increases in insurance premiums and deductibles. Considering that the average claim in the last five years was $119,000 and $108,000 for the last seven years, NUL's request was reduced by $300,000 in each of the test years.

(H) Head Office Rental Costs

An addition of 4.720 square feet was included in NUL's portion of the CUL rental expense because of the Business Systems Group reorganisation out of the CU group to NUL. The associated expense of $64,100 was denied since no evidence was presented to indicate that NUL was being compensated for this expense by either CUL or APL.

(I) Insurance Premiums

NUL's insurance expense was forecast based on an expectation that it would attain a coverage of $100 million. However, evidence indicated that for 1987, it would at most get a coverage of $73 million. The Board therefore reduced the 1987 premium to reflect this level and reduced the expense by $518,000. For 1988, considering that some additional coverage may be obtained, the Board approved an amount that was 10% more than the 1987 Board approved forecast.

(J) Depreciation Expense

As a result of the approval of the net salvage amounts in the depreciation formula, NUL's depreciation provision was increased by $1,179,000 and $1,304,000 in 1987 and 1988 respectively.

(K) Income Taxes

The June 18, 1987 federal government income tax reform proposals would have the effect of reducing the 1988 forecast income taxes by $3,640,000. Although not law yet, the Board considered that the amounts being significant and determinable, it was appropriate to reduce the 1988 revenue requirement by this amount.

(7) **Utility Revenues**

(A) Residential and Commercial Sales

The 1987 actual sales per customer for the residential and the commercial customers as at the date of the hearing were lower than forecast by 4.1 GJ and 40 GJ respectively. Further, the sales forecast assumed that rates in place on July 1, 1987 were to be in effect throughout the test period. Using the actual sales per customer data and the rates expected to be in place during the test period, the Board decreased the forecast revenues by $5,156,000 and $4,528,000 for 1987 and 1988 respectively.

(B) Industrial Service and Transportation Service

For the ten month period ended October 31, 1987, the transportation revenues were understated by 16 PJ or 12.21%. Based on these results, the Board projected the results to December 31, 1987 and, assuming that the increase would apply to 1988, adjusted NUL's transportation revenues by 19 PJ or $1,050,000 for each of the test years.

(8) **Other Matters**

(A) Deferred Gas Accounting

Order E87117 approved the Deferred Gas Accounting (DGA) and Reconciliation procedures. Since the DGA and Reconciliation procedures give effect only to the changes in the price of natural gas, shareholders would not benefit or be penalized as a result of price changes in the cost of gas and in this respect, the situation is similar to the pre-deregulation era. The risk respecting a volume variance, however, still remains with the shareholders inasmuch as any gain or loss on a margin variance is absorbed by the shareholders.

When an application is received to change the Gas Cost Recovery Rate, it would be necessary to examine the projected costs and those costs related to the period under review. To monitor amounts accumulating in the DGA, NUL was directed to file each month a reconciliation of gas cost recoveries versus the actual gas costs.

(B) October 31, 1987 Balance in Deferred Gas Account

The Board approved a one time refund of $16 million in the DGA as at October 31, 1987. The refund was to be made in large part to all customers on record as at December 1, 1987. Since the mid-year balance was recognized in the lead-lag study, intervenors' submissions that interest on the over collections be applied to the refund were not followed. In the future, should such over collections be significant, the Board may direct the inclusion of interest.

(C) Unbilled Revenues

The Board approved the proposed change in the method of accounting for revenues, effective January 1, 1987 from a billed basis to the accrual basis for both accounting and regulatory purposes. This method results in a matching of consumption and revenue over the same period, simplifies rate design and further, for the test year 1987, eliminates the need for a rate increase. The resultant alignment of the book and utility returns was also considered to be desirable.

(D) Border Flowback Fund

NUL's proposal to write off against the Border Flowback Fund (BFB) the Exploration and Developement costs held in the Suspense and the Plant Held For Future Use accounts, to the extent the related wells are not tied in by December 31, 1988, was accepted by the Board. The Board considered that the accumulation of the AFUDC to the untied wells had resulted in a situation where total costs of a given well make uneconomic the feasibility of a tie in and that given the surplus gas situation in the current market, the prospect of these wells being used or required to be used appeared to be slim.

(E) Allocation of Petroleum and Natural Gas Rights (PNG)

NUL proposed that in certain specific geographical areas, the PNG and seismic costs be written off as unsuccessful unless significant reserves are mapped in these areas or where such areas were specifically purchased as protection acreages. Considering the marginal chance of finding significant proven reserves on these sites and the compounding effect of AFUDC on such wells, the Board accepted NUL's proposal in this regard.

(9) **Revenue Surplus/Deficiency**

Since the revenues and costs related to the gas supply component of the revenue requirement are reconciled through the DGA procedures, the revenue surplus (deficiency) was calculated only with respect to the non gas supply component of the revenue requirement. For the test year 1987, the Board determined a surplus of $8,253,000 while for 1988, a deficiency of $14,714,000 was determined.

4.46 (a) RE87105/E4.14.58/Northwestern Utilities Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1986 to December 31, 1986.

(c) Approved/E88008 dated January 28, 1988.

4.47 (a) RE87106/E4.14.58/Northwestern Utilities Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1987 to April 30, 1987.

(c) Approved/E88009 dated January 28, 1988.

4.48 (a) RE87119/E4.14.58/Northwestern Utilities Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1987 to September 30, 1987.

(c) Application withdrawn by Applicant pursuant to a revised application dated April 7, 1988.

4.49 (a) RE87124/E4.14.35-68/Northwestern Utilities Limited

(b) For approval of a change in rates relating to the Town of Slave Lake because of a revenue tax agreement entered into with the Town.

(c) Order E88014 dated January 29, 1988 approved Interim Order E87130 dated December 23, 1987 and the rates attached as Schedule "A" of that order as a final order of the Board.

4.50 (a) RE88002/E4.14.35-69/Northwestern Utilities Limited

(b) For approval of a rate rider reduction of $.222/GJ for consumption on or after January 25, 1988 to March 31, 1988 inclusive.

(c) Approved/E88006 dated January 21, 1988.

4.51 (a) RE88007/E4.14.35-70/Northwestern Utilities Limited

(b) For an Order approving the refunding of over-collections to Saskatchewan customers made under Rider "C" on non-rebateable sales of natural gas.

(c) Approved/E88012 dated January 29, 1988.

4.52 (a) RE88009/E4.14.35-71/Northwestern Utilities Limited

(b) For approval of a change in rates relating to the Hamlet of Sherwood Park because of a change in the revenue tax rate.

(c) Approved/E88017 dated April 18, 1988.

4.53 (a) RE88013/E4.14.35-72/Northwestern Utilities Limited

(b) For an Order or Orders of the Board approving a reconciliation of actual gas costs with actual gas cost recoveries for the period January 1, 1987 to October 31, 1987, and an amended Gas Cost Recovery Rate (GCRR) for the 1988 Summer Season, which would give effect to any outstanding balance in the Deferred Gas Cost Account at October 31, 1987 and to the revised forecast of the 1988 Summer Season gas supply costs.

(c) Interim Order E88037 dated March 29, 1988, approved a GCRR of $1.184 per GJ for all consumption on or after April 1, 1988 to October 31, 1988 inclusive. The revised 1988 Summer GCRR was 12.1 cents/GJ lower than the CGRR of $1.305/GJ approved in Interim Order E87117 dated December 2, 1987.

4.54 (a) RE88022/E4.14.58/Northwestern Utilities Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1987 to December 31, 1987.

(c) Approved/E88100 dated December 8, 1988.

4.55 (a) RE88030/E4.14.35-73/Northwestern Utilities Limited

(b) For approval of a change in rates relating to the City of Grande Prairie because of a change in the revenue tax rate.

(c) Approved/E88072 dated October 11, 1988.

4.56 (a) RE88061/E4.14.35-74/Northwestern Utilities Limited

(b) For an Order of the Board approving a reconciliation of the actual gas costs with actual gas cost recoveries for the period November 1, 1987 to March 31, 1988 and an amended Gas Cost Recovery Rate (GCRR) for the 1988/1989 Winter Season (November 1, 1988 to March 31, 1989, inclusive), which would give effect to the revised forecast of the 1988/1989 Winter Season gas supply costs.

(c) Interim Order E88079 dated October 24, 1988, approved a GCRR of $1.320 per GJ for all consumption on or after November 1, 1988 to March 31, 1989 inclusive. The revised 1988/1989 Winter GCRR was 16.1 cents/GJ lower than the GCRR of $1.481/GJ approved in Interim Order E87117 dated December 2, 1987.

4.57 (a) RE88074/E4.14.24(1)(e)-29/Northwestern Utilities Limited

(b) For an Order approving the purposes of, and authorizing the issue of an 11.25% Debenture 1988 Series in the principal amount of $25,000,000 to Canadian Utilities Limited.

(c) Approved/E88105 dated December 14, 1988.

4.58 (a) RE88083/E4.14.58/Northwestern Utilities Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1988 to March 31, 1988.

(c) Approved/E88101 dated December 8, 1988.

4.59 (a) RE88088/E4.14.35-75/Northwestern Utilities Limited

(b) For an Order approving the refunding of over-collections to Saskatchewan customers made under Rider "C" on non-rebateable sales of natural gas.

(c) Approved/E88106 dated December 29, 1988.

4.60 (a) RE88041/E4.16.35-8/Orr Mineral Developments Ltd.

(b) For approval of an increase in rates for the Hamlet of Suffield.

(c) In process at year-end.

SECTION 5: UTILITIES NOT OFFERING UTILITY SERVICES TO THE GENERAL PUBLIC

Data reported in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/REGULATED ENTITY
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

5.01 (a) RC88011/C4.306.3(1)(c)-7/Dome Petroleum Limited, on behalf of itself, certain of its subsidiaries, Dome Energy Limited, Dome Investments Limited, 112572 Canada Inc., Amalco #1 and Amoco Acquisitions Company Ltd.

(b) For an Order of the Board declaring that, for the purposes of certain transactions, the provisions of Section 99 of the Public Utilities Board Act, and Sections 50 and 51 of the Gas Utilities Act to the extent that they incorporate Section 99 of the Public Utilities Board Act, do not apply to the Applicants.

(c) Approved/C88010 dated April 27, 1988.

5.02 (a) RC88015/C4.313.3(1)(c)-2/Mobil Oil Canada Ltd.

(b) For an Order of the Board declaring that, for the purposes of a certain transaction, the provisions of Section 99 of the Public Utilities Board Act, and Section 51 of the Gas Utilities Act to the extent that it incorporates Section 99 of the Public Utilities Board Act, do not apply to the Applicant.

(c) Approved/C88015 dated June 13, 1988.

5.03 (a) RC88016/C4.304.3(1)(c)-2/Canadian Superior Oil Ltd.

(b) For an Order of the Board declaring that, for the purposes of a certain transaction, the provisions of Section 99 of the Public Utilities Board Act, and Section 51 of the Gas Utilities Act to the extent that it incorporates Section 99 of the Public Utilities Board Act, do not apply to the Applicant.

(c) Approved/C88016 dated June 13, 1988.

5.04 (a) RC88020/C4.306.3(1)(c)-7/Dome Petroleum Limited

(b) For approval to amend Board Order C88010 dated April 27, 1988.

(c) Order C88023 dated August 10, 1988 approved an amendment to Order C88010 by removing the existing Schedule 1 and substituting a revised Schedule 1, and by removing any reference to Dome Investments Limited.

SECTION 6: MUNICIPALITIES

SECTION 6A: Applications by municipalities, pursuant to the Municipal Government Act, for approval to enter into supply and special franchise agreements or renewals or alterations thereof with owners of utilities. Where the municipality agrees to accept a percentage of the gross revenue of the franchise holder in lieu of taxing the special franchise and property of the holder used in the exercise of the franchise pursuant to the Municipal Taxation Act, the amount of such percentage is reflected.

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/APPLICANT
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

6.01 (a) RE87123/E6.57.3/Town of Grand Centre

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period

not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/based on an escalating percentage of gross revenue.

(c) Approved/E88026 dated March 16, 1988.

6.02 (a) RE88014/E6.278.3/Village of Radway

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/based on an escalating percentage of gross revenue.

(c) Approved/E88059 dated July 20, 1988.

6.03 (a) RE88015/E6.264.3/Village of Munson

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/based on an escalating percentage of gross revenue.

(c) Approved/E88060 dated July 20, 1988.

6.04 (a) RE88017/E6.40.3/Town of Cold Lake

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/based on an escalating percentage of gross revenue.

(c) Approved/E88061 dated July 20, 1988.

6.05 (a) RE88026/E6.26.3/Town of Beaverlodge

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/at a rate of 5%.

(c) Approved/E88085 dated October 24, 1988.

6.06 (a) RE88028/E6.240.3/Village of Hythe

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/at a rate of 5%.

(c) Approved/E88096 dated December 14, 1988.

6.07 (a) RE88046/E6.118.3/Town of Vermilion

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/based on an escalating percentage of gross revenue.

(c) Approved/E88083 dated October 24, 1988.

6.08 (a) RE88047/E6.136.3/Town of Sexsmith

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/at a rate of 5%.

(c) Approved/E88084 dated October 24, 1988.

6.09 (a) RE88058/E6.10.3/City of Lloydminster

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/at a rate of 8%.

(c) Approved/E88098 dated December 14, 1988.

6.10 (a) RE88070/E6.265.3/Village of Myrnam

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/based on an escalating percentage of gross revenue.

(c) Approved/E88097 dated December 14, 1988.

6.11 (a) RE88075/E6.90.3/New Town of Rainbow Lake

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/based on an escalating percentage of gross revenue.

(c) In process at year-end.

6.12 (a) RE88089/E6.257.3/Village of Mannville

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/based on an escalating percentage of gross revenue.

(c) In process at year-end.

6.13 (a) RE88008/E6.29.4/Town of Bonnyville

(b) For approval to renew a natural gas supply contract and to confer a special franchise until May 31, 1990/Bonnyville Gas Company Limited.

(c) Approved/E88039 dated April 20, 1988.

6.14 (a) RE88004/E6.194.4/Village of Coutts

(b) Application by the Council of the Village of Coutts (Coutts) for approval to enter into a natural gas supply contract with, and to confer a special franchise on Border Utilities Ltd. (Border) for a period of 20 years from the effective date of the proposed Supply

and Franchise Contract. An application to enter into a revenue tax agreement whereby Coutts would accept payment of an amount equal to 5.26% of the gross revenue of Border derived from the sale of natural gas to the customers within the corporate limits of Coutts was also made by Coutts.

(c) Order E88025 dated March 21, 1988 approved the Supply and Franchise Contract. With regards to whether the natural gas contract and special franchise should be treated as a renewal, for a 10 year term, or as a new contract and special franchise for a 20 year term, the Board gave consideration to Orders E88035, E88036 and E88033 which respectively approved:

(i) the application by Canadian Western Natural Gas Company Limited (CWNG), on behalf of Border, to transfer the outstanding capital stock of Border to CWNG;

(ii) a reduction in the rates of Border to those of CWNG;

(iii) the union of Border with CWNG;

and found that the union of Border with CWNG created an entity which was substantially different from what existed previously with the effect that a natural gas supply contract and special franchise for a 20 year term was deemed appropriate.

6.15 (a) RC88022/E6.38.4/Town of Coaldale

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Canadian Western Natural Gas Company Limited/at a rate of 5.26%.

(c) Approved/C88029 dated December 14, 1988.

6.16 (a) RC88027/E6.179.4/Village of Burdett

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Canadian Western Natural Gas Company Limited/at a rate of 5.26%.

(c) In process at year-end.

6.17 (a) RE87111/E6.277.4/Summer Village of Poplar Bay

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years/ICG Utilities (Alberta) Ltd.

(c) Approved/E88027 dated March 16, 1988.

6.18 (a) RE88016/E6.269.4/Village of New Sarepta

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/ICG Utilities (Alberta) Ltd./at a rate of 5%.

(c) Approved/E88048 dated May 18, 1988.

6.19 (a) RE88032/E6.218.4/Village of Fort Assiniboine

(b) For approval to enter into a natural gas supply contract and to confer a special franchise for a period not in excess of 20 years and to enter into a revenue tax agreement/ICG Utilities (Alberta) Ltd./at a rate of 2%.

(c) Approved/E88055 dated July 5, 1988.

6.20 (a) RE88084/E6.233.4/Village of Hay Lakes

(b) For approval to enter into a natural gas supply contract and to confer a special franchise for a period not in excess of 20 years and to enter into a revenue tax agreement/ICG Utilities (Alberta) Ltd./at a rate of 5%.

(c) In process at year-end.

6.21 (a) RE88086/E6.263.4/Village of Morrin

(b) For approval to enter into a natural gas supply contract and to confer a special franchise for a period not in excess of 20 years and to enter into a revenue tax agreement/ICG Utilities (Alberta) Ltd./at a rate of 4%.

(c) In process at year-end.

6.22 (a) RE88087/E6.278.4/Village of Radway

(b) For approval to enter into a natural gas supply contract and to confer a special franchise for a period not in excess of 20 years and to enter into a revenue tax agreement/ICG Utilities (Alberta) Ltd./at a rate of 3.1%.

(c) In process at year-end.

6.23 (a) RE86035/E6.108.4/Town of Sylvan Lake

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Approved/E88003 dated January 20, 1988.

6.24 (a) RE87064/E6.214.4/Village of Evansburg

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in

excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Approved/E88028 dated March 16, 1988.

6.25 (a) RE87113/E6.305.4/Village of Veteran

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Approved/E88029 dated March 16, 1988.

6.26 (a) RE87118/E6.97.4/Town of Slave Lake

(b) For approval to enter into a natural gas supply contract and to confer a special franchise for a period not in excess of 20 years and to enter into a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) This application was approved in Order E88013 dated January 29, 1988 which accepted Interim Order E87129 dated December 23, 1987 as a final order of the Board.

6.27 (a) RE88018/E6.66.4/Town of Hinton

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 5 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Approved/E88077 dated November 9, 1988.

6.28 (a) RE88033/E6.289.4/Summer Village of Seba Beach

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 6%.

(c) Approved/E88076 dated November 9, 1988.

6.29 (a) RE88023/E6.89.4/Town of Provost

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Approved/E88051 dated June 22, 1988.

6.30 (a) RE88027/E6.152.4/Summer Village of Alberta Beach

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) In process at year-end.

6.31 (a) RE88052/E6.8.4/City of Grande Prairie

(b) For approval to amend its natural gas and special franchise agreement with Northwestern Utilities Limited by changing the franchise tax rate from 8.9% to 10%.

(c) Approved/E88071 dated September 20, 1988.

6.32 (a) RE88059/E6.189.4/Village of Chipman

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) In process at year-end.

6.33 (a) RE88068/E6.193.4/Village of Consort

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) In process at year-end.

6.34 (a) RE88085/E6.272.4/Village of Onoway

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) In process at year-end.

6.35 (a) RC87029/E6.47.3/Town of Eckville

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88002 dated February 3, 1988.

6.36 (a) RC87031/E6.87.3/Town of Pincher Creek

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88004 dated March 2, 1988.

6.37 (a) RC87032/E6.121.3/Town of Wainwright

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88003 dated February 17, 1988.

6.38 (a) RC88002/E6.83.3/Town of Olds

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88006 dated March 2, 1988.

6.39 (a) RC88003/E6.206.3/Village of Duchess

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88009 dated May 4, 1988.

6.40 (a) RC88004/E6.25.3/Town of Bassano

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88008 dated May 4, 1988.

6.41 (a) RC88005/E6.190.3/Village of Clive

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88011 dated May 18, 1988.

6.42 (a) RC88006/E6.206.3/Village of Rockyford

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88012 dated May 18, 1988.

6.43 (a) RC88007/E6.171.3/Village of Blackie

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88017 dated June 22, 1988.

6.44 (a) RC88008/E6.270.3/Village of Nobleford

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88018 dated June 22, 1988.

6.45 (a) RC88009/E6.158.3/Village of Arrowwood

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88020 dated August 10, 1988.

6.46 (a) RC88010/E6.294.3/Village of Standard

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88013 dated June 1, 1988.

6.47 (a) RC88013/E6.181.3/Village of Carmangay

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88021 dated August 10, 1988.

6.48 (a) RC88017/E6.239.3/Village of Hussar

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88022 dated August 10, 1988.

6.49 (a) RC88018/E6.31.3/Town of Brooks

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88024 dated September 26, 1988.

6.50 (a) RC88019/E6.106.3/Town of Strathmore

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88026 dated October 19, 1988.

6.51 (a) RC88021/E6.30.3/Town of Bow Island

(b) For approval to renew an electric power supply con-

tract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88025 dated September 27, 1988.

6.52 (a) RC88023/E6.38.3/Town of Coaldale

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) Approved/C88030 dated December 14, 1988.

6.53 (a) RC88025/E6.134.3/Town of Bowden

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) In process at year-end.

6.54 (a) RC88026/E6.37.3/Town of Claresholm

(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.

(c) In process at year-end.

SECTION 6B: Applications by municipalities, pursuant to the Municipal Government Act, for approval to enter into contracts or renewals thereof, providing for the supply of light, power, natural gas, artificial gas or water to the municipality for the use of the municipal public utility.

Data reported in groups arranged alphabetically according to the name of the supplier. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/APPLICANT
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

6.55 (a) RE88024/E6.169.5/Village of Bittern Lake

(b) For approval to enter into a water supply contract for a period not in excess of 20 years/City of Camrose.

(c) Approved/E88052 dated June 22, 1988.

6.56 (a) RE88001/E6.36.4/Town of Castor

(b) For approval to enter into an alteration of a natural gas supply contract/Esso Resources Canada Limited.

(c) Approved/Ex parte Order E88007 dated January 29, 1988.

6.57 (a) RE88036/E6.44.4/Town of Devon

(b) For approval to enter into a natural gas supply contract for the period ending December 31, 2005/Esso Resources Canada Limited.

(c) Approved/E88069 dated September 2, 1988.

6.58 (a) RC87030/E6.34.4/Town of Cardston

(b) For approval to renew an electric power supply contract/TransAlta Utilities Corporation.

(c) Approved/C88001 dated January 20, 1988.

6.59 (a) RE88035/E6.66.4/Town of Hinton

(b) For approval to enter into a water supply contract for a period not in excess of 20 years/Weldwood of Canada Limited.

(c) Approved/E88064 dated August 8, 1988.

6.60 (a) RE85069/RE85079/E6.98.4/E6.420.4/Town of Smoky Lake/County of Smoky Lake

(b) The Board proceeding on its own motion to rescind a direction contained in Board Orders E86011 and E86012 pertaining to a natural gas supply exchange agreement entered into between the Town and the County.

(c) Order E88040 dated April 6, 1988 rescinded the above noted directions, as it was considered that the requested information was no longer required by the Board.

6.61 (a) RC88001/E6.88.3/Town of Ponoka

(b) For approval to renew an electric power supply contract/TransAlta Utilities Corporation.

(c) Approved/C88005 dated March 2, 1988.

6.62 (a) RE88078/E6.217.4/Village of Forestburg

(b) For approval of an alteration to its natural gas supply contract/Voyager Energy Inc.

(c) Approved/E88091 dated November 23, 1988.

SECTION 6C: Applications by the Minister of Municipal Affairs, pursuant to the Improvement Districts Act and the Special Areas Act, for approval to enter into contracts with utilities undertaking to provide street lighting in a hamlet situated in an improvement dis-

trict or special area, or with utilities to supply light, power, gas, natural gas, water or a sewerage system to persons resident in the improvement district or special area or in any specified part or parts thereof.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/APPLICANT
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

There were no applications in this category before the Board in 1988.

SECTION 6D: Applications by users of public utilities, pursuant to the Municipal Government Act, to appeal the rates, tolls or charges of a municipally-owned utility.

Data reported in groups arranged alphabetically according to the name of the municipality to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/APPLICANT
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

6.63 (a) RE87026/E6.32.5/Town of Calmar Water Utility

(b) Mr. Hayduk, by letter dated January 5, 1988 requested clarification of Decision E87114 dated November 6, 1987 to ensure that the principles established respecting water rates would apply equally to the sewage rates.

(c) Order E88002 dated January 8, 1988, amended Decision E87114 by including reference to the sewage rates so that the residential minimum bimonthly charge for water and sewage service would be determined on a per meter basis, as opposed to a per dwelling unit basis.

6.64 (a) RE88044/E6.269.2/Village of New Sarepta

(b) Complaint by Mr. and Mrs. O. Ducharme and others pursuant to Section 291 of the Municipal Government Act, alleging that the Village of New Sarepta had improperly imposed minimum monthly charges for utility service.

(c) At the hearing of September 2, 1988, New Sarepta agreed to discontinue minimum monthly water service charges to properties not connected to the municipal water system. Decision E88068 dated December 2, 1988, disallowed such charges effective April 25, 1988, which was the date of the complaint to the Board. The Board held that, on the basis of the relevant statutes, it did not have the jurisdiction to order that a refund be granted and stated that such issues should be determined by the Courts.

6.65 (a) RE88080/E6.269.2(2)/Village of New Sarepta

(b) Complaint by Myrtle Lehman and Lydia H. Knopp pursuant to Section 291 of the Municipal Government Act alleging that the Village of New Sarepta had improperly imposed sewer service charges.

(c) Application withdrawn by Mrs. Lehman by letter dated December 13, 1988, with the understanding that, at the time the bylaws in question are passed by the council of New Sarepta, Mrs. Lehman will once again lodge her complaint.

6.66 (a) RE87112/E6.286.2/Village of Ryley

(b) Complaint dated September 28, 1987 by Mr. and Mrs. Ermil Young, et al (the Complainants) pursuant to Section 291 of the Municipal Government Act alleging that the Village of Ryley had improperly imposed minimum charges for water, sewer and garbage service.

(c) In Decision E88005 dated March 8, 1988 the Board determined that the rates as set by the resolution of the village Council affecting those who had never requested service, those who had asked for discontinuance of service or those who were owners of vacant or unoccupied properties had been improperly imposed within the meaning of Section 291(b) of the Municipal Government Act. Consequently the Board ordered that the minimum charges to the Complainants respecting water and sewer service as implemented pursuant to the resolution of Ryley dated May 11, 1987 be disallowed. The Board noted that the minimum service charge with respect to garbage was beyond its jurisdiction but the Board was hopeful that Ryley would follow the direction given by the Board with respect to the water and sewer minimum charges.

SECTION 6E: Applications for approval or consent for actions other than those described in Sections 6A through 6D.

Data reported in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/APPLICANT
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

6.67 (a) RE87037/E6.194.4/Village of Coutts

(b) Application dated May 19, 1987 for approval of the termination of a special franchise with Border Utilities Ltd. and fixing the price and terms of purchase.

(c) Application withdrawn by the Applicant by letter dated April 19, 1988. Dispute resolved by the purchase of the shares of Border Utilities Ltd. by Canadian Western Natural Gas Company Limited.

6.68 (a) RE87038/E6.194.3/Village of Coutts

(b) For approval of the termination of a special franchise with Southern Utilities Company Limited and fixing the price and terms of purchase.

(c) Held in abeyance at the request of the Applicant.

6.69 (a) RE87107/E6.413.8/Mountain View Ambulance Service

(b) Application dated September 21, 1987 for compensation from the Town of Olds pursuant to Section 169(6) of the Municipal Government Act.

(c) Application withdrawn by letter dated April 25, 1988.

6.70 (a) RE88031/E6.14.17/City of St. Albert

(b) For approval to extend the City's transportation system beyond its municipal boundaries into part of the City of Edmonton.

(c) Approved/E88054 dated June 30, 1988.

6.71 (a) RE88048/E6.422.7/County of Strathcona No. 20

(b) For approval to extend the County's transportation system into part of the City of Edmonton.

(c) Approved/E88067 dated August 26, 1988.

SECTION 7: COMPLAINTS UNDER THE NOVA CORPORATION OF ALBERTA ACT

ITEM NUMBER	APPLICATION PARTICULARS (a) REGISTRATION NUMBER/FILE NUMBER/COMPLAINANT (b) SUBJECT MATTER (c) DISPOSITION/REFERENCE

There were no applications in this category before the Board in 1988.

SECTION 8: APPEALS UNDER THE NATURAL GAS PRICING AGREEMENT ACT

Data reported in groups arranged alphabetically according to the name of the appellant. Individual appeals within each group are then arranged in order of registration number.

ITEM NUMBER	APPLICATION PARTICULARS (a) REGISTRATION NUMBER/FILE NUMBER/APPELLANT (b) SUBJECT MATTER (c) DISPOSITION/REFERENCE

8.01 (a) RE85048/E4.302.88-2/Amoco Canada Petroleum Company Ltd.

(b) Appeal from a decision of the Alberta Petroleum Marketing Commission with respect to the Alberta Cost of Service for TransCanada PipeLines Limited for the month of December 1984.

(c) Withdrawn/Matter has been resolved according to Amoco's letter dated July 28, 1988.

SECTION 9: MILK PRICING

Data reported in groups arranged alphabetically according to the name of the regulated entity to which the application refers. Individual applications within each group are then arranged in order of registration number.

ITEM NUMBER	APPLICATION PARTICULARS (a) REGISTRATION NUMBER/FILE NUMBER/REGULATED ENTITY (b) SUBJECT MATTER (c) DISPOSITION/REFERENCE

9.01 (a) RE87073/E8.4.11-13 W.R./Canadian Federation of Independent Grocers, The Calgary Co-operative Association, Horne & Pitfield Foods Ltd., Alberta Grocers Wholesale Ltd. and Western Grocers Division of Westfair Foods Limited (Wholesalers/Retailers or W/R)

(b) For an increase in the minimum retail price of fluid milk and fluid milk products, by way of an increase of 5 to 6 cents per litre in the margin between minimum wholesale and minimum retail prices.

(c) (1) An increase in the retail margin of $0.01 per litre was approved, effective March 1, 1988, in Board Decision E88022 dated February 23, 1988, as amended by Order E88024 dated March 4, 1988.

The Board expressed many concerns respecting the applicants' financial study and these concerns were taken into account in the determination of the minimum retail margin:

(i) the evidence provided did not allow an analysis of total costs by expense category, on a store by store basis, in order to understand the relationship of fixed operating expenses to volumes sold;

(ii) the sampling used for the study was not based on methods that would avoid bias in sample selection;

(iii) the financial study involved certain subjective assessments of costs applicable to fluid milk. The principal author of the study was not in an arms-length relationship to the applicants and no audit trail or other evidence to independently corroborate the principal author's subjective judgements were provided.

(2) The following adjustments were made to the applicants' financial data for purposes of the Decision:

(i) Gross Margin

The applicants' study included data for 2% and Homo milk only. The Board considered it appropriate to include all fluid milk products for the purpose of calculating gross margin. The Board accordingly increased the gross margin by $0.004 per litre.

(ii) Packaging Costs (Bagging)

The Board reduced packaging costs by 1/3 based on the evidence that other grocery products are usually included in a grocery bag along with milk.

(iii) General and Administrative Expenses

The Board considered it inappropriate to include certain General & Administrative (G & A) expenses in the expenses applicable to fluid milk. The following expenses were excluded from G & A expenses:

– Advertising and business promotion, considering that milk is a staple item with relatively inelastic demand.

– Money costs (short term borrowings), considering the evidence that there were no inventory financing costs for fluid milk. The Board included an estimate of working capital financing costs for other operating expenses, in G & A expenses.

– Bonuses, considering that they represented distribution of profits.

The Board considered it inappropriate to allocate G & A expenses to fluid milk based on sales revenue in view of the widely differing unit prices, turnover rates, profit margins and marketing requirements of various grocery products. The Board considered that in the absence of any other evidence, an allocation of G & A expenses to fluid milk based on volume of fluid milk sold relative to the volume of other grocery products may be indicative of the upper end of the range of possible amounts for G & A expenses. The Board noted however, that fluid milk is a staple item with relatively inelastic demand and an inventory turnover rate significantly higher than other grocery products and therefore, the management time required for display and merchandising of fluid milk would not be directly proportional to volumes sold.

The Board considered further that the proportion of floor space occupied by fluid milk may provide some indication of the proportion of G & A expenses applicable to fluid milk, by recognizing the relative amount of space required to generate a given volume of fluid milk sales compared with the same volume of sales of other grocery products with inventory turnover ratios significantly lower than fluid milk.

In the absence of any other evidence the Board determined the G & A expense applicable to fluid milk by using the mid point of the range for G & A expenses allocated on the basis of volume sold (cashier's time used as proxy) and floor space.

(3) The Board considered that a $0.01 per litre increase in the minimum retail margin would provide the average retailer among the sample stores with a before tax net profit on sales of 2.10%. The Board noted that although the above net profit is at or about the lower end of the desired profit margin requested, the return on investment would be approximately 44% for the average retailer among the sample stores.

9.02 (a) RE88067/E8.4.11-18 P.D./Central Alberta Dairy Pool

(b) For approval of prices for homogenized milk, 2% partly skimmed milk, 1% partly skimmed milk and skim milk in 125 ml containers.

(c) Order E88088 dated October 28, 1988 approved the application, subject to its review at the next General Application for changes in the minimum wholesale and retail prices of fluid milk.

9.03 (a) RE88029/E8.4.4-13/Milk Producers as per report from the Department of Agriculture, Production Economics Branch

(b) The Board proceeding on its own motion pursuant to Section 12 of the Dairy Board Act to increase the minimum producer price of Class 1 milk by $0.98 per hectolitre and the minimum wholesale and minimum retail prices by 1 cent per litre, effective June 1, 1988, consequent upon an increase in the producer price formula as monitored by the Department of Agriculture.

(c) By Order E88049 dated May 26, 1988, the Board approved the increases in the minimum producer price and the minimum wholesale and retail prices, effective June 1, 1988.

9.04 (a) RE88045/E8.4.4-14/Milk Producers as per report from the Department of Agriculture, Production Economics Branch

(b) The Board proceeding on its own motion pursuant to Section 12 of the Dairy Board Act to increase the minimum producer price of Class 1 milk by $0.98 per hectolitre and the minimum wholesale and minimum retail prices by 1 cent per litre, effective August 1, 1988, consequent upon an increase in the producer price formula as monitored by the Department of Agriculture.

(c) By Order E88063 dated July 26, 1988, the Board approved the increases in the minimum producer price and the minimum wholesale and retail prices, effective August 1, 1988.

9.05 (a) RE88062/E8.4.4-15/Milk Producers as per report from the Department of Agriculture, Production Economics Branch

(b) The Board proceeding on its own motion pursuant to Section 12 of the Dairy Board Act to increase the minimum producer price of Class 1 milk by $0.98 per hectolitre and the minimum wholesale and minimum retail prices by 1 cent per litre, effective October 1, 1988, consequent upon an increase in the producer price formula as monitored by the Department of Agriculture.

(c) By Order E88073 dated September 27, 1988, the Board approved the increases in the minimum producer price and the minimum wholesale and retail prices, effective October 1, 1988.

By Order E88074 dated September 28, 1988, the Board amended Order E88073 through the correction of a clerical error.

9.06 (a) (1) RE87072/E8.4.11-12 P.D./Palm Dairies Limited/Northern Alberta Dairy Pool Ltd./Central Alberta Dairy Pool (Processors/Distributors or P/D)

(2) RE87121/E8.4.11-15/Central Alberta Dairy Pool (CADP)

(3) RE87117/E8.4.11-14 P.D./Lucerne Foods Ltd. (Lucerne)

(b) (1) For an increase of $0.04 per litre in the minimum wholesale price of fluid milk and fluid milk products.

(2) For approval of the sale and price of 28 ml size 18% creamers in 120 unit containers.

(3) For approval of new prices for skim milk and Homo milk in 250 ml containers.

(c) (1) Decision E88021 dated February 23, 1988 approved a $0.01 per litre increase in the minimum wholesale price of fluid milk and fluid milk products effective March 1, 1988, in addition to the $0.01 per litre increase granted on an interim basis by Decision E87127 dated December 23, 1987. The Board considered that the total increase of $0.02, after appropriate Board adjustments, will result in a before tax net profit on sales of 4.29% on the combined operations of all three P/D and an after tax net profit on sales of at least 2.5% to the taxable entity among the P/D, for 1987 on an annualized basis. The Board noted that the above returns were consistent with industry average profits.

Decision E88021 also approved and reconfirmed CADP's and Lucerne's applications respectively for the sale and pricing of new products. Lucerne's Application was granted interim approval in Order E87119 dated November 27, 1987.

Some issues of note in Decision E88021 are summarized below.

(2) The Board reconfirmed its interim decision (in Decision E87127) to accept the P/D's proposal for an increase in the maximum discount to distributors from 20% to 22%, to compensate the latter for a reduction in country wholesale prices as a result of a legislative change which mandated uniform minimum prices throughout Alberta. The Board also accepted the P/D's calculation of the reduction in revenues to the P/D resulting from the foregoing legislative change.

(3) The Board considered it appropriate to make the following adjustments to the forecast financial data filed by the P/D:

(i) Gross margin (contribution on sales) was increased by $403,000 for 1987 (forecast) to reflect the impact of an understatement of contribution per litre in 1986 due to the incorrect accounting of transferred product;

(ii) Considering the wage rate increase, the change in volumes processed in 1987 compared with 1986 and the actual to date figures, direct wages forecast for 1987 were reduced by $135,000;

(iii) Forecast 1987 selling and distribution costs were reduced by $202,000 to reflect the correction of an allocation error between fluid milk and other categories;

(iv) Interest expense was forecast to increase by about 33% in 1987 due to the "very high debt ratio" of one of the P/D resulting from a change in its capital structure in 1987. In view of the evidence that this increase is a non-recurring and extra-ordinary item and considering that the Board approved forecast should reflect a normalized level of expenses, the proposed interest expense increase due to change in capital structure ($393,000) was disallowed.

(4) The Board was persuaded that for the reason of stability as set out in the P/D's evidence, the normalized method of accounting for income taxes is appropriate for its consideration respecting after tax percentage net profit on sales revenue. Accordingly, the normalized method was used for purposes of the decision.

(5) In view of the fact that two of the P/D are non-taxable entities, the Board considered it appropriate to consider not only after tax net profit on sales but also before tax net profit on sales for the purposes of determining the reasonable level of return on sales for the P/D. The Board considered that the before tax net profit on sales resulting from Board approved revenues for all three P/D combined, should be commensurate with before tax industry profits and after tax net profit on sales for the taxable entity among the P/D should be commensurate with the after tax industry profits.

(6) The Board directed the P/D to provide details of the contributions from each of the delivery modes, including home delivery, in order to monitor the relative contributions from the various delivery modes.

(7) The Board provided detailed guidelines for the audit reports to be provided to the Board in future applications.

(8) The Board approved the P/D's request for uniform pricing of smaller package sizes (less than 1 litre) for Homo, 2% skim and skim milk. The forecast revenues were adjusted upwards by $128,000 to reflect the uniform pricing of smaller products.

(9) The Board accepted the existing price relationships for various products, subject to the uniform pricing of smaller package sizes referred to under (8) above. The Board noted that while there may be some departures from the cost based pricing principle within the range of products for which prices are prescribed for competitive and marketing reasons, since the total revenues from the regulated fluid milk products are cost based, the requirement for cost based pricing is substantially satisfied.

(10) The Board adjusted the P/D's forecast revenues from home delivery to include the effect of a 1 cent per litre increase in retail margin approved in concurrent Decision E88022.

9.07 (a) RE88038/RE88039/E8.4.11-16 P.D./E8.4.11-17 P.D./Palm Dairies Limited/Lucerne Foods Ltd.

(b) Applications for a price to be set on all package sizes of 1% milk.

(c) By Decision E88053 dated June 28, 1988 the Board approved minimum prices for 1% milk in all package sizes. The Board considered it appropriate to set the minimum price for 1% milk such that it would reflect the cost differential in butterfat content between 2% milk, 1% milk and skim milk.

SECTION 10: OTHER MATTERS

Data reported in groups arranged alphabetically according to the name of the regulated entity to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/REGULATED ENTITY
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

10.01 (a) (1) RE87015/E3.5.5/85 RV (Costs)/Alberta Power Limited

(2) RE87032/E3.6.5/86 (Costs)/Alberta Power Limited/Edmonton Power/TransAlta Utilities Corporation

(b) Determining and fixing the amount of intervenors' costs and applicants' external costs respecting (i) Alberta Power Limited's application for review and variance of Order E86100 and Decision E87001 (1985 Electric Energy Marketing Agency (EEMA) adjustment proceedings) and (ii) the 1986 EEMA adjustment proceedings.

(c) Decision E88044 dated May 10, 1988 fixed and approved intervenors' and applicants' external costs as follows:

	Claimed	Board Approved
Intervenors' costs	442,012.02	425,962.23
Applicants' external costs	580,494.23	419,852.30
Total	1,022,506.25	845,814.53

The Board considered that the costs claimed were reasonably and necessarily incurred and were consistent with the value of assistance provided except as follows:

- The preparation time and associated costs for TransAlta Utilities Corporation's counsel, Edmonton Power's general consultants and Calgary's counsel and general consultants were reduced in order to be consistent with the value of assistance provided.
- Counsel's preparation time and associated costs related to the Edmonton Power review and variance of Decision E84142 application, included in the Rural Electrification Association's claim for costs were disallowed by the Board as it considered the determination of those costs to be outside the scope of the subject cost hearing.

10.02 (a) RE88025/E3.5.5/87/E3.6.5/87/E3.16.5/87/Alberta Power Limited/TransAlta Utilities Corporation/ Edmonton Power

(b) Joint application for an Order adjusting the price or pricing formula to sell electric energy to the Electric Energy Marketing Agency (EEMA) for 1987.

(c) (1) **GENERAL**

Board Decision E88080 dated December 23, 1988 adjusted the price at which electric energy was sold to EEMA for 1987. Significant issues dealt with in Decision E88080 are summarized as follows:

(2) **TOTAL UTILITY COSTS**

(A) Alberta Power Limited (APL) – Necessary Working Capital – Lag on Debt Interest

The Board decided that piecemeal adjustments to Board approved leads and lags were not appropriate. Either Board approved leads and lags or an actual lead lag study based on actual results should be used for EEMA adjustment purposes.

(B) Edmonton Power (EP) – Central Administration Charges

The Board accepted as appropriate the City of Edmonton's methods of allocating central and administrative charges to EP, for the purposes of the 1987 EEMA Adjustment.

(C) EP – Capitalization Policies

The Board noted that allocated central administrative charges are based on factors that include the effects of capital projects. EP was directed to calculate central administrative charges with and without the capital projects so that only the operations and maintenance (O & M) component of central administrative charges is included in O & M expense.

(D) EP – Depreciation Expense

Due to the late filing of EP's depreciation evidence, the Board, after consultation with all parties, deferred examination of depreciation methodology and procedures to the 1989 EEMA Forecast Proceedings. The Board noted that there were no changes proposed for EP's depreciation rates and accepted EP's depreciation calculations for the purposes of the 1987 EEMA Adjustment.

(E) Comparison of General and Administration (G & A) Expenses

As a consequence of the variability among the utilities of G & A Expenses as a percentage of total utility cost of service, the Board directed the utilities to provide details of G & A Expenses at the next EEMA proceeding.

(3) FUNCTIONALIZATION OF COSTS UPSTREAM AND DOWNSTREAM

In order to reflect the benefits of load research in a consistent and appropriate manner, the Board directed the utilities to functionalize load research expenses upstream/downstream on the same basis as general and administrative expenses.

(4) CLASSIFICATION OF COSTS TO DEMAND AND ENERGY

(A) Production Plant Fixed Costs

Some parties suggested that the currently used modified fixed-variable method of classifying production plant costs to demand and energy, whereby most fixed costs are classified as demand costs and variable costs are classified as energy costs, was not appropriate. It was suggested that coal fired plants have been added to the Alberta Integrated System (AIS) to obtain cheaper energy and that a portion of fixed production plant costs should be classified as energy costs. The Board noted that, historically, the AIS has not been energy constrained and consequently new additions to the AIS were primarily driven by the need for capacity and reliability.

The Board considered that one system planning for the AIS has resulted in the most economical mix of plant to meet the total AIS requirements and that the actual cost structure of the AIS is reflected in the embedded fixed cost/kW and current variable costs/kWh which are a matter of record for 1987.

The Board was satisfied that the modified fixed variable method has in the past and will in the foreseeable future continue to provide properly structured AIS cost signals to AIS consumers. Consequently the Board determined that the modified fixed variable method was more consistent with the AIS planning process and cost causation than any other method examined during the proceedings.

(5) ALLOCATION OF UPSTREAM COSTS TO CONSUMER GROUP

(A) Determination of Demand at the Interface by Consumer Group

(i) Weighting Factors for Monthly Coincident Peaks

Following a Board direction in Decision E87100, the utilities provided further evidence on the monthly weighti gs of demand at the interface to be utilized in allocating costs to consumer groups. The Board was persuaded that all months should be represented in the allocation procedure, so that the principles of cost causation and consistency with the AIS planning process would be maintained.

The Board recognized that the AIS is not strictly a winter peaking system; however, the winter months contribute more to the Loss of Load Expectancy than other months. The Board was also persuaded that maintenance should be included in the determination of system reliability. Consequently, the Board approved a demand allocation method that provided a weighting of 50% for the months of November, December and January and a weighting of 50% to the remaining 9 months (3W/9NW).

(ii) Peak Shaving and Interruptible Loads

The Board was not convinced that it was appropriate to alter the position taken in Decision E87100, in that demand related costs are not incurred to serve interruptible loads to the extent that capacity for such loads was not planned for. Since TransAlta Utilities Corporation's (TAU) Class 3 loads for the months of March to October were not deducted for planning purposes, these loads were included in demand at the interface for the purposes of the 1987 EEMA Adjustment. The Board noted the concerns expressed by parties respecting the true interruptibility of TAU's Class 3 interruptible and directed TAU to address this issue at the forthcoming

TAU General Rate Application (GRA). The Board considered that interruptible loads do provide benefits to the AIS; however, the Board considered that the sharing of benefits was a rate design issue more appropriately dealt with at a GRA.

(iii) Load Research Procedures

Some parties raised concern about the extent of load research data available for demand allocation and the use of proxy load factors. The Board noted that although more accurate information would be desirable, the utilities should weigh the benefits against the costs. The Board did not consider that consumer group demands have been materially misstated by the use of proxy load factors. With respect to the calculation of the General Service demand on a residual basis, the Board expects all utilities to pursue independent verification of this demand.

(B) Allocation of Transmission Costs to Consumer Group

(i) Voltage Level Allocation of Transmission Costs

TAU proposed a change in the existing allocation method for transmission costs by voltage level. TAU's proposal would allocate transmission costs to indirect wholesale customers based on the demand of customers served directly by the utilities and indirect customers. The Board found that the proposed methodology was not consistent with the intent of the existing EEMA legislation and did not conform with sound cost of service principles and consequently denied the proposed change.

(ii) Allocation of Substation Costs

The REA/AAMDC proposed a change to the allocation of substation costs for the industrial consumer group, based on the premise that substations are sized taking into consideration industrial customers' non-coincident peaks. The Board considered that there was insufficient evidence to determine the appropriateness of the proposed allocation and directed the utilities to address this issue at the next EEMA Adjustment Proceedings.

10.03 (a) RE88049/E8.12.3-2/Alberta Resources Railway Corporation

(b) For permission to construct an "at grade" railway crossing across 87th Avenue in the Bridgeview Subdivision in the Town of Peace River.

(c) Approved/E88066 dated September 6, 1988.

10.04 (a) RE88056/E3.16.3/89/Edmonton Power

(b) Filing re: setting the prices at which Edmonton Power shall sell electric energy to the Electric Energy Marketing Agency for 1989.

(c) In process at year-end.

10.05 (a) RE88053/E4.1386.9/Gulf Canada Resources Limited

(b) Application by Frederick Haller to fix and determine costs or method for ascertaining costs incidental to gathering, treating or processing gas on designated lands.

(c) Adjourned sine die by Board pending further action by parties.

10.06 (a) RE87122/E4.317.10/Shell Canada Limited

(b) To rescind or vary Order 24322 dated December 3, 1959, which order fixed the deductions that Shell Canada Limited made for gathering, treating and processing gas and associated by-products in the calculation of royalties payable under its freehold leases in the Jumping Pound area.

(c) Order E88023 dated March 15, 1988 approved the application of Shell Canada Limited to rescind Order 24322, effective April 1, 1988.

SECTION 11: ENERGY RESOURCES CONSERVATION BOARD APPLICATIONS

(Applications to which a Member of the Board was Assigned as an Acting Member of the ERCB)

ITEM NUMBER	APPLICATION PARTICULARS (a) FILE NUMBER/REGULATED ENTITY (b) SUBJECT MATTER (c) DISPOSITION/REFERENCE
11.01 (a)	ERCB 871411/E8.5.16-6/Southview Fibre Tech Ltd.
(b)	Application to ERCB for approval to connect an electricity generating plant to the electric system of TransAlta Utilities Corporation and to establish the basis for determining the price of power and energy to be sold to TransAlta Utilities Corporation.

(c) The ERCB in Report D88-2 dated March 25, 1988 approved the connection of the Southview plant to the Alberta electric system subject to Southview obtaining approval of a detailed power plant application.

The ERCB expressed the view that, if the price paid for compensation were to exceed AIS avoided costs, the connection of the plant would not be consistent with the economic, orderly and efficient development of electric energy.

The ERCB concluded that it had no jurisdiction to fix prices but as a basis for compensation, AIS avoided costs should be calculated based on the principles of avoided cost determination set out in Report D88-2. The ERCB recognized that if a contract is negotiated, the price or pricing provisions should be subject to the approval of the PUB. The ERCB also expressed the view that the PUB would have to decide if exemptions from utility regulation would be appropriate.

SECTION 12: GAS UTILITIES BOARD APPLICATIONS

(Applications to which a Member of the Board was Assigned as a Member of the GUB)

ITEM NUMBER	APPLICATION PARTICULARS (a) REGISTRATION NUMBER/FILE NUMBER/REGULATED ENTITY (b) SUBJECT MATTER (c) DISPOSITION/REFERENCE

There were no applications in this category before the Board in 1988.

APPENDIX 2
LITIGATION PROCEEDINGS

Appeals of Board Orders and Decisions to The Alberta Court of Appeal

ITEM ORDER NUMBER(S)	(a) FILE NUMBER AND APPELLANT (b) RESPONDENTS OTHER THAN THE BOARD (c) SUBJECT MATTER (d) STATUS
1.01	(a) E4.7.24(1)(g)-4(Appeal)/Canadian Western Natural Gas Company Limited
E84113	(b) No others.
	(c) Questioned the Board's jurisdiction to order that the gain on sale of fixed assets accrued to the customers of Canadian Western Natural Gas Company Limited.
	(d) Notice of Abandonment of Appeal filed October 21, 1988.
1.02	(a) E4.707.77-5,6(Appeal)/Westcoast Transmission Company Limited
E87113	(b) Husky Oil Operations Ltd., Husky Oil Operations Ltd. on behalf of the Savanna Creek Producers, the Alberta Petroleum Marketing Commission.
	(c) The grounds for Leave to Appeal were that the Board erred: (1) in taking account of by-product revenue derived from sulphur sales in making its determination it considered subject matter which is beyond the jurisdiction conferred on the said Board by the Natural Gas Pricing Agreement Act, R.S.A. 1980, Chap. N-4, as amended, and the Natural Gas Price Administration Act, R.S.A. 1980, Chap. N-3, as amended; (2) in taking account of by-product revenue derived from sulphur sales it allowed the Respondent Husky Oil Operations Ltd. to recover in excess of the price prescribed by the Natural Gas Pricing Agreement Act and the Natural Gas Price Administration Act; (3) in taking account of by-product revenue derived from sulphur sales it as such failed to determine the appropriate cost and charges for Alberta Cost of Service in accordance with the said Natural Gas Pricing Agreement Act and Natural Gas Price Administration Act; and (4) in granting an order with respect to the months subsequent to February 1980 from which an appeal was taken.
	(d) The appeal was heard by the Court of Appeal on December 8, 1988. Decision pending at year end.
1.03	(a) E4.707.77-5,6 Appeal Vol. 2/Husky Oil Operations Ltd.
E87113	(b) Alberta Petroleum Marketing Commission/Westcoast Transmission Company Limited.
	(c) Application for Leave to Appeal Decision E87113 on the ground that the Board erred in law or jurisdiction by failing to award interest to Husky on the sulphur revenue held by Westcoast.
	(d) The appeal was heard by the Court of Appeal on December 8, 1988. Decision pending at year end.

APPENDIX 3
INQUIRIES BY THE BOARD

SECTION 1: Inquiries directed by the Lieutenant Governor in Council.

ITEM NUMBER	APPLICATION PARTICULARS (a) REGISTRATION NUMBER/INQUIRY TITLE (b) SUBJECT MATTER (c) PRESENT STATUS

1.01 (a) E3.3.17-1/Small Power Inquiry

(b) Joint Public Utilities Board/Energy Resources Conversation Board (PUB/ERCB) proceeding called pursuant to Order in Council 211/87 dated April 9, 1987 to inquire into, report upon and make such recommendations as are necessary or advisable respecting electricity generation by small power generators in Alberta.

(c) Report E88001 dated February 29, 1988 made the following recommendations to the Lieutenant Governor in Council, which generally corresponded to the matters set out in the Order in Council.

(1) The type of generators that should be classed as small power generators

The PUB and the ERCB (the Boards) concluded that generally the type of energy resource used in the generation of electric energy, the purpose for its production or the ownership of the facilities should not disqualify a generating facility from being classified as a small power producer (SPP).

(2) The sizes of generators that should be classed as small power generators

The Boards concluded that 2500 kW is a practical upper limit for small power facilities and small enough to be technically flexible and easily accommodated by the electric distribution systems. Further, this limit should apply to the nameplate rating of a small power generator and, in practice, would be 2500 kW at one site and one interconnection point.

(3) The number, types and capacities of small power generators and their total capacity that could be interconnected without negatively impacting the reliability of the system or increasing the cost of electricity generation, transmission and distribution in Alberta

The Boards considered whether or not some portion of future AIS capacity requirements should be dedicated to SPPs and, if so, what maximum block of capacity could be accommodated without negatively impacting the reliability and cost of service to customers. The Boards further considered the impact of small power production on the generation, transmission, and distribution system and how it should be assessed. The Boards concluded that any small power policy should be reviewed when 100 MW of small power generation has been connected, or after 5 years of data on their operating behavior and impact on the AIS has been collected, whichever occurs first. The utilities would be responsible for collecting such data.

(4) The principles and methods which should apply to the setting of a price or prices which could be paid by public utilities for electricity produced by small power generators and to the terms and conditions of the purchase and sale of that electricity, and which should result in prices that would not increase the price of electricity to utility customers

The Boards considered that the O.C. required them to not only select a method of determining prices but, in the interest of expediting the implementation of a policy and avoiding a further costly inquiry, that they should recommend specific prices or a range of prices to be applied to 1994.

The Boards concluded that the AIS long-term avoided costs should be used as a starting point to determine prices for small power generation. The Boards selected a composite proxy of coal and gas units for the determination of avoided capacity costs as future AIS capacity would be planned for roughly using a ratio of 75:25 base-load to peaking capacity mix. Avoided energy costs were approximated using base-load coal-fired and peaking gas-fired production in the ratio of 90:10.

The Boards concluded that it would be necessary to make small power capacity payments in advance of when the capacity is actually required to break the cycle resulting from the long lead times associated with major utility projects. To ensure that the price of electricity to utility customers over the long term would not increase, levelized prices were determined, which when discounted, equate to the long-run avoided costs over the term of each contract. Prices were developed for 10, 15 and 20 year

contracts with prices varying to reflect the term of each contract and its commencement date. The contract prices would be applicable to purchases by all utilities throughout the province and would remain fixed for the duration of each contract.

(5) The process that should be established for the expedient purchase of electricity by public utilities from small power producers

The Boards concluded that all SPPs should be exempted from the provisions of the Public Utilities Board Act upon application and from the Hydro and Electric Energy Act subject only to obtaining the consent of the ERCB prior to constructing or operating a small power facility. Standard contracts applicable to all utilities and SPPs should be developed by the utilities in consultation with other interested parties and submitted to the PUB for review.

(6) Any other relevant matters

The Boards concluded that power producers with a capacity in excess of 2500 kW should continue to meet the current regulatory requirements and negotiate contractual terms with their serving utility using the principles and methods contained in the Report. The Boards also concluded that existing SPPs with wind-powered generators have the option of switching to the recommended prices or continuing under the current banking arrangements until those arrangements are reviewed at the end of 1989.

SECTION 2: Inquiries of the Board's own motion

ITEM NUMBER	APPLICATION PARTICULARS (a) FILE NUMBER (b) SUBJECT MATTER (c) PRESENT STATUS

There were no Inquiries of the Board's own motion in 1988

APPENDIX 4
FEDERAL/PROVINCIAL/TERRITORIAL TELECOMMUNICATIONS EXAMINATION

APPLICATION PARTICULARS
(a) FILE NUMBER
ITEM (b) SUBJECT MATTER
NUMBER (c) DISPOSITION/REFERENCE

1.01 (a) E3.3.3-12(2)

(b) An examination of competition in long distance public telephone service by federal, provincial and territorial regulators and officials.

At their meeting in Edmonton on April 2-3, 1987, the Federal and Provincial ministers responsible for telecommunications agreed to review the desirability of competition in public long distance service. Representatives of provincial governments and/or regulatory agencies participated in the preparation of the report. The terms of reference for the examination, in summary, were as follows:

(1) Identify and quantify the source of long distance revenues (MTS/WATS) in Canada;

(2) Review the technical, operational and economic factors which may justify the provision of MTS/WATS on a monopoly or competitive basis;

(3) Review existing literature to describe the nature and extent of MTS/WATS competition in the U.S.A., Japan and the U.K.;

(4) Describe competition models which could be considered in Canada;

(5) (a) Identify and analyze the impacts of each competition model on:

– basic local business and residential rates

– short-haul and long-haul MTS/WATS rates, and

– the rates for business telecommunications services

(b) analyze the relationship between competition in the MTS/WATS market and the pricing of telephone services;

(6) Analyze the potential impact of MTS/WATS competition in terms of economic and industrial costs and benefits and in terms of responsiveness to customer needs;

(7) Identify the alternative approaches to regulation that could apply to the activities of established carriers and new competitors;

(8) Estimate the cost of modifying the existing network to provide competitors with access to the local exchange on a fair and equitable basis;

(9) Determine the extent to which individual companies and their subscribers would be affected directly or indirectly by the use of MTS/WATS facilities by competing carriers and resellers or by the introduction of competition in other jurisdictions;

(10) Identify classes of subscribers who would benefit or would be adversely affected by the introduction of MTS/WATS competition and identify pricing mechanisms to minimize its impact on these users.

Members of the task force undertook to confine the activities to the collection and review of information and objective analysis relating to MTS/WATS competition. This approach was considered not to fetter the discretion of the regulators participating yet it would assist Ministers by providing a common base of information upon which to consider and determine policies with respect to MTS/WATS competition.

(c) The report of the examination was provided to ministers on December 12, 1988 and to the public shortly thereafter.

1. **CANADIAN TELECOMMUNICATIONS MARKET**

The report characterized the existing telecommunications industry as being composed of a mixture of private, governmental and joint private/governmental organizations. The telephone companies, especially members of Telecom Canada, dominate the industry and enjoy a virtual monopoly over MTS/WATS. Other carriers, such as Teleglobe, CNCP Telecommunications, etc. provide specialized services. The Canadian telephone companies generated over $5 billion in MTS/WATS revenues in 1986. This constituted approximately 50% of their total operating revenues although this can range from 47.5 to 60.1 % for individual companies.

2. FOREIGN EXPERIENCE WITH MTS/WATS COMPETITION

In the United States, the report found the MTS/WATS market competitive between "LATA's" (Local Access and Transportation Areas) with some intraLATA competition. This market is dominated by one carrier, AT&T (72.5% estimated share in 1986) with two smaller competitors, MCI (13.6%) and US Sprint (7.7%). 500 other carriers share the remaining 6.2%. The report found that the nominal telephone service prices have increased faster than the general CPI but MTS/WATS prices have declined since competition was introduced. Telephone penetration has increased in the U.S. in the same period.

The U.K. telecommunications market has been a duopoly since 1982 with Mercury Communications Ltd. (1987 revenue, £13 million) providing an alternative to British Telecommunications plc (formerly part of the National Post Office with 1987 revenues of £9 billion). Mercury provides MTS/WATS service to 70 access areas and local service in the City of London. The effect of this competition has been an increase in short-haul MTS/WATS rates, a decrease in long-haul MTS/WATS rates and a general increase in local rates except in the City of London.

The report stated that Japan had had telecommunications competition since April 1, 1985. Formerly, the market was monopolized by Nippon Telegraph and Telephone Public Corporation (NTT). There are 31 Type I (facilities based) carriers of which 3 provide MTS/WATS. There are 469 Type II carriers (resellers) who primarily provide specialized services. The new competitors generally price within 20% of NTT's prices. NTT has only reduced leased line prices and has not raised or lowered other prices.

3. COMPETITION OR MONOPOLY – THE OVERALL FACTORS AFFECTING THE CHOICE

The Task Force examined whether MTS/WATS competition was the best way to foster technical innovation and service improvements. The report found that, under competition, billing arrangements have become more complex, but billing errors have decreased with equal access for all carriers. Equal access has also contributed to a decline in problems with repeated dialling and signal quality. No evidence was found that technological improvements in the U.S. telephone industry were due to MTS/WATS competition nor that competition has had any effect on research and development.

The Task Force found evidence of the existence of economies of scale in the transmission network, but these are only a portion of telecommunications production costs. The report found that there was not enough information on economies of scale and scope to resolve whether the Canadian telecommunications market constitutes a natural monopoly. The report was also unable to find conclusive evidence that productivity in the telephone industry was higher under conditions of competition. The report did conclude that there would be no cost to modify the Canadian telephone network if competitors accessed the network through rudimentary dial-up ports (Type A access). The total cost of modifying the network for equal access (Type E access) would be $98 million, if only exchange areas with 100,000 or more lines were modified, to $209 million if all exchange lines were modified.

The report reviewed available macroeconomic studies on the effects of MTS/WATS competition on the Canadian and U.S. economies. The report concluded that many of the benefits identified by these studies were the result of rate rebalancing, which could be achieved in the absence of competition, and not the result of competition per se.

4. THE NATURE OF COMPETITIVE ENTRY INTO THE MTS/WATS MARKET IN CANADA

The Task Force commissioned a study on the range of elasticity of demand for MTS/WATS services in Canada. The report found that the probable ranges were as follows:

Intra-company MTS : -.5 to - .7
Inter-company MTS : -.55 to - .85
Canada-U.S. MTS : -.65 to -1.00
International MTS : -.6 to -1.20

These elasticities were subsequently used in developing simulation models in order to determine the consequences of three different competition scenarios.

The modelling exercise found that, under conditions of unrestricted entry, new facilities-based carriers would require at least a 10% price advantage in order to gain a substantial market share. The report also considered that there would still be regulatory monitoring required to prevent cross-subsidization from monopoly to competitive services. The report projected a wider range of discounts and price innovations under this scenario.

Under dominant carrier regulation, the major carrier would be subject to certain regulatory requirements from which other entrants would be exempt. The report discussed the possibility of rate base, price cap, social contract or incentive-based regulation as alternatives for regulation of the dominant carrier.

The report also discussed full regulation of all market participants as an alternative for reducing any adverse effects of unrestricted competition. The report considered that this scenario might not result in the best response to changing market conditions.

The report examined the issue of minimizing the effects of competition on the universal availability of telephone service. The report found that the level of contribution payments by MTS/WATS carriers to the local network would affect the ability of new entrants to compete and the level of local rates. Regulators could impose an obligation to serve on market entrants. The report also described and evaluated other methods of maintaining universal service in the face of higher local rates, such as lifeline service, multiparty service and local measured service.

The report also identified potential new facilities-based entrants to the MTS/WATS market. It was not possible to forecast companies who might enter as resellers.

The report examined three different ways in which competition might be introduced and the effects of each. The first way would be to introduce competition on an extra-provincial basis only. Secondly, competition could be additionally allowed on a regional basis similar to the LATA system in the U.S. Finally, all MTS/WATS markets could be subject to competition. Other scenarios were examined, such as high-density route competition, but not explored due to obvious difficulties foreseen.

5. **FINANCIAL ANALYSIS OF COMPETITION IN PUBLIC LONG-DISTANCE TELEPHONE SERVICE**

The report described the results of a financial simulation model under conditions of full competition on the telephone companies and their rates to the customers. Assumptions were made as to the market loss associated with price discounts offered by competitors (e.g. a 10% market loss was attributed to a 10% discount) and market coverage. The model found that, to remain financially viable, competitors would not be required to fully compensate the telephone companies for lost business. Under competition, local rates were projected to rise for present long distance carriers (e.g. $3.18 per month for residential and $8.82 per month for business subscribers of AGT) whereas they were projected to decrease for independent telephone companies (e.g. a decrease of $0.79 for residential and $2.19 for business subscribers of 'edmonton telephones') due to contribution payments received from competing carriers. The report found that only a limited number of customers would be able to offset these higher local rates through lower long distance rates. The model found that rate rebalancing would have no effect on the financial viability of competitors.

APPENDIX 5
LEGISLATIVE AUTHORITIES

Alberta Statutes which explicitly govern the Public Utilities Board are listed alphabetically.

1. Administrative Procedures Act, RSA 1980, Ch.A-2
2. Alberta Resources Railway Corporation Act, RSA 1980, Ch.A-36
3. Central Western Railway Corporation Act, SA 1984, Ch.71
4. City Transportation Act, RSA 1980, Ch.C-10
5. Clean Air Act, RSA 1980, Ch.C-12
6. Clean Water Act, RSA 1980, Ch.C-13
7. County Act, RSA 1980, Ch.C-27
8. Crowsnest Pass Municipal Unification Act, RSA 1980, Ch.C-39
9. Dairy Board Act, RSA 1980, Ch.D-1
10. Department of the Environment Act, RSA 1980, Ch.D-19
11. Electric Energy Marketing Act, SA 1981, Ch.E-4.1
12. Electrical Power and Pipe Line Assessment Act, RSA 1980, Ch.E-5
13. Energy Resources Conservation Act, RSA 1980, Ch.E-11
14. Gas Utilities Act, RSA 1980, Ch.G-4
15. Hydro and Electric Energy Act, RSA 1980, Ch.H-13
16. Improvement Districts Act, RSA 1980, Ch.I-1
17. Municipal Government Act, RSA 1980, Ch.M-26
18. Municipal Taxation Act, RSA 1980, Ch.M-31
19. Natural Gas Marketing Act, SA 1986, Ch.N-2.8
20. Natural Gas Price Administration Act, RSA 1980, Ch.N-3
21. Natural Gas Pricing Agreement Act, RSA 1980, Ch.N-4
22. Natural Gas Rebates Act, RSA 1980, Ch.N-5
23. NOVA Corporation of Alberta Act, RSA 1980, Ch.N-12
24. Oil and Gas Conservation Act, RSA 1980, Ch.O-5
25. Petroleum Marketing Act, RSA 1980, Ch.P-5
26. Public Utilities Board Act, RSA 1980, Ch.P-37
27. Railway Act, RSA 1980, Ch.R-4
28. Regional Municipal Services Act, SA 1981, Ch.R-9.1
29. Rural Electrification Long Term Financing Act, RSA 1980, Ch.R-17
30. Rural Electrification Revolving Fund Act, RSA 1980, Ch.R-18
31. Rural Gas Act, RSA 1980, Ch.R-19
32. Small Power Research and Development Act, RSA 1980, Ch.S-13.75
33. Telecommunications Act, RSA 1980, Ch.T-3.5
34. Water, Gas, Electric and Telephone Companies Act, RSA 1980, Ch.W-4
35. Water Resources Act, RSA 1980, Ch.W-5